NATIONAL
RESTAURANT
ASSOCIATION

Restaurant Industry Operations Report '86

Prepared in cooperation with

Laventhol & Horwath
Certified Public Accountants

1986 Edition

RESTAURANT INDUSTRY OPERATIONS REPORT '86

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To the Reader:

Restaurant Industry Operations Report '86 is based on financial and operating data provided by members of the National Restaurant Association. The data analysis and compilation were performed by the national accounting and consulting firm of Laventhol & Horwath (L&H) and the report was published in conjunction with the National Restaurant Association (NRA). More than 800 questionnaires were received from restaurant operators, and 633 were used as the basis for this report. This unique study of the operating results of restaurants in 1985 includes specific financial information on full and limited menu tableservice restaurants, operators with no tableservice (fast food) and cafeterias.

The data have been compiled on the basis of type of restaurant, location, affiliation, years of operation, sales volume, menu theme and other significant categories. Separate sections of the report cover the analysis of those restaurants that serve food and of those serving food and alcoholic beverages.

Generally, operating results are expressed as amounts per restaurant seat and ratios to total sales, the most common bases used in the industry. The amounts and ratios in the exhibits and text are the medians and upper and lower quartiles of those reporting the data, unless otherwise noted. They are intended to be used as guidelines, not as standards or goals. They are not an attempt by the NRA or L&H to set or conform prices or operating ratios for the industry. The results of the operations studied can become a basis for comparison with your operation by using the worksheet in the back of the report and the appropriate figures from the schedules. We believe that evaluation of the variances revealed by that comparison can be helpful.

We sincerely appreciate the cooperation of those restaurant operators who supplied complete data for their restaurants, making this study possible. We also thank the personnel of L&H who contributed informative comments on the restaurant industry in their regions.

National Restaurant Association
G. "Jim" Hasslocher
Chairman of the Board and
President

Laventhol & Horwath
Richard C. Conti, Chairman
Restaurant and Foodservice
Practice Group

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EXPLANATORY NOTES

Readers should be aware that the operators who participated in this study are not identical with those who participated in prior years' studies. This makes comparisons with previous data difficult because reporting ratios can be vastly different. However, comparisons of the information in past reports may be useful in identifying certain financial trends.

Again this year, medians and quartiles are used extensively in data presentation. Medians are the middle values of all amounts calculated for a particular item when placed in sequential order. Half of all values reported are below the median and half are above. Readers should be aware that medians are calculated only from respondents reporting information for every specific line item. To provide readers with a better understanding of the range of reported values, lower and upper quartiles are also presented. These are the midpoints of each group bounded by the median. In other words, the sample is broken into four equal parts when arranged in sequential order. The lower quartile divides the sample into the lowest quarter and higher three-quarters of the sample; the upper quartile divides the sample into the highest quarter and lower three-quarters of the sample. Readers should be aware, however, that columns composed of medians and quartiles may not add to the totals shown in the exhibits of this report, because all participants did not respond to every line item.

The charts on pages 14 and 53 of this report provide a breakdown of the restaurant industry dollar in 1985 for food only restaurants and food and beverage restaurants. It is important to note the separation of these source of revenue dollars and its distribution since the operating results differ significantly on various accounts according to the type of operation. For this reason, it also is important to compare operations under the appropriate section of this report. The ratios provided in the charts on pages 14 and 53 are calculated using weighted averages and therefore show different results than the detailed exhibits in each section, which present medians and quartiles. Each item is weighted to reflect the total sample size.

THE FOODSERVICE INDUSTRY

The foodservice industry is a large and diverse business. For example:

- Industry sales will total $185.8 billion in 1986.
- There are some 593,000 foodservice operations in the United States.
- More than eight million people are employed in the industry.
- Approximately 40 cents of the average consumer's food dollar goes to meals and snacks away from home.
- The typical individual purchases meals away from home 192 times a year.

The economic climate in 1986 is favorable to foodservice. The U.S. economy is moving into a fourth year of expansion and recovery from the severe 1982 recession. The National Restaurant Association expects 1986 real sales (adjusted for inflation) to increase for the sixth consecutive year, rising 2.8 percent. This is somewhat above 1985's 2.1 percent advance but below 1984's hefty 4 percent gain. In addition, continued economic gains, rising personal incomes brought on by moderate inflation, falling gasoline prices and beneficial demographic and lifestyle trends will have a positive effect on the industry through the remainder of this decade.

Sales for commercial restaurants (eating places, contract feeding, hotel/motel restaurants, retail hosts) have increased steadily in the past several years. In 1986, sales for the commercial segment are predicted to reach $162.9 billion, an increase from $152.1 billion in 1985. Inflation-adjusted sales should rise 3.2 percent in 1986 compared with gains of 2.5 percent and 4.7 percent in 1985 and 1984 respectively.

Industry faces new challenges

The foodservice industry is in the midst of a major shift in direction brought about by changing consumer tastes and lifestyles as well as long-term demographic trends. The key consumer needs and demands in 1986 and for the remainder of the decade include the following:

Convenience. Although many eating out occasions revolve around a leisurely meal with a spouse, family or friends, consumers of the 1980s are more frequently seeking quick, convenient meals that fit into their busy lifestyles. Consumers are opting for take out meals, and NRA research reveals that more than one out of three consumers purchase a take out meal at least once a week, and an additional one-third do so one to three times a month.

Quality. Today's consumers are better educated and have more experienced palates. They expect their dining out experiences to be of high quality. They know what they are looking for from their many different eating out occasions in terms of food, service and atmosphere. Of these three aspects, service appears to be critical. If patrons do not receive the quality of service they expect, it is unlikely they will ever return to the establishment.

Diversity. Consumer taste buds, conditioned by their Mexican, Italian and Asian favorites, are fired up for hot, spicy foods and high intensity flavors. This trend is reflected in an abundance of Mexican foods, Cajun foods and other spicy dishes that now appear on menus across the country. Other new concepts operators are using to respond to this burgeoning desire for diversity include American regional cuisine, mesquite grilling and sushi bars. This points to the diversity of consumer preferences and the willingness to try new things.

Grazing. Grazing seems to be a new dining pattern among consumers of the 1980s. In this approach to dining, consumers satisfy their desire for a varied, yet light repast by opting against a full-course meal. Instead they choose a lighter, more casual meal, often consisting of one or two appetizers, a salad or soup and perhaps a dessert. An adjunct to the grazing phenomenon is the popularity of single-serving portions of food. Mini pizzas, sushi, skewered grilled chicken, gourmet cookies, salad bars and premium wine or champagne by the glass are a few examples of foods and beverages that appeal to grazers. Since the food is ordered and paid for piecemeal, the consumer has ultimate control over portion size—whether it is one or two cookies or a quarter pound of salad.

Home Activities. Consumers are rapidly acquiring an assortment of home entertainment options. It is estimated that nearly one-fourth of America's households own a videocassette recorder (VCR), and four out of 10 households

Foodservice Industry Sales, 1985 and 1986 ($000)

	1985	1986
Total Foodservice Industry	$174,282,428	$185,850,885
Commercial Feeding Group	152,119,643	162,916,715
Eating Places	111,524,337	120,001,187
Restaurants & Lunchrooms	58,444,122	62,427,147
Limited Menu (Fast Food) Restaurants	47,129,314	51,229,564
Institutional Feeding Group	21,287,131	22,001,583
Military Feeding Group	875,654	932,587

Foodservice industry sales include all meal and snack sales at commercial restaurants, institutional organizations, hotel/motel restaurants and food contractors. Commercial Feeding Group sales include all meal and snack sales at commercial restaurants, food contractor outlets, hotel/motel restaurants and retail host restaurants.
Source: National Restaurant Association.

have cable television. In addition, half have microwave ovens in their homes. All of these items make staying at home more appealing. As the number of families that own such appliances expands, these households will be looking for more services that are compatible with the convenience of home entertainment and spending more time with the family. As a result, take out and home delivery are becoming popular eating out options.

Health and Nutrition. The nutrition trend has been swelling; it is not a fad. In 1986, its effects on the foodservice industry should be felt more strongly than ever before. The following consumer desires will be of most importance to the industry.

- Patrons will be looking for healthier alternatives to menu items high in fat, calories, cholesterol and sodium.
- The demand for more vegetables and alternatives to fried foods will increase.
- Smaller portions or a choice of portion size should become more popular.
- The type of nutritional information patrons may look for on the menu will be for the most part nonquantitative. Reassurance that an item is a more nutritious alternative should satisfy most patrons better than actual numbers concerning sodium, cholesterol or fat.

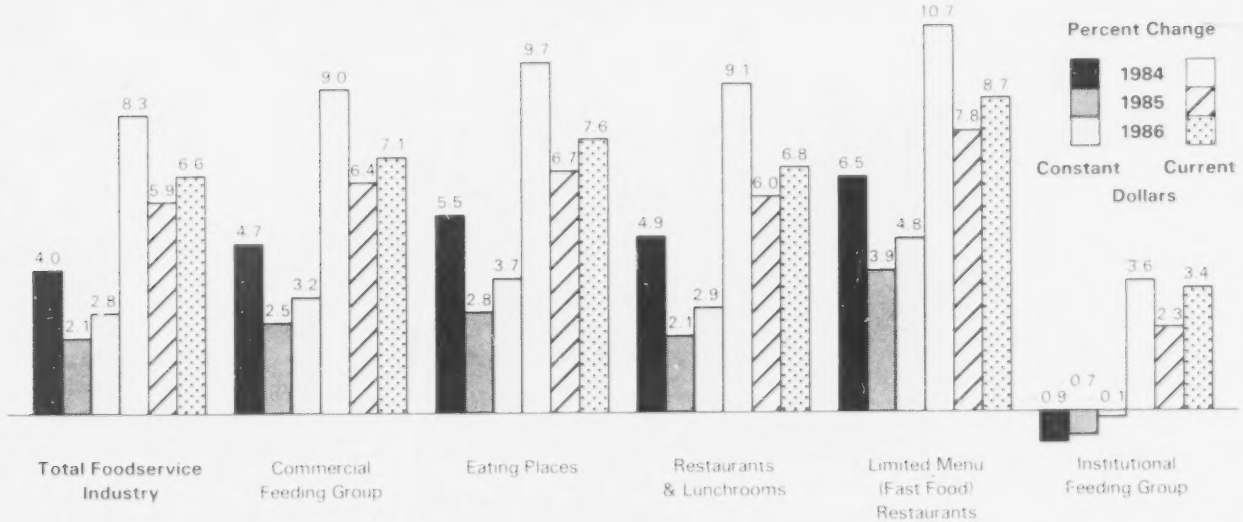
The foodservice industry responds

The foodservice industry has been responsive to changing consumer tastes and lifestyles. Operators are repositioning their concepts in order to establish a market niche. They are upgrading menus and decor, instituting take out and delivery service, opting for healthier menu items and putting more emphasis on training employees.

Menu Expansion. In order to appeal to a wide spectrum of consumers, restaurant operators are expanding and reformulating their menus. In addition, operators are extending or improving existing product lines by changing portion sizes and altering types of seasonings used in preparing certain dishes.

Unit Upscaling. Many foodservice operators are redecorating their units, opting for high tech or art deco designs. Others are installing skylights and atriums in their restaurants and using muted colors to give the units a lighter, brighter look.

Foodservice Industry
Percent Change in Dollar Sales, 1984–1986



NOTE: Foodservice industry sales include all meal and snack sales at commercial restaurants, institutional organizations, hotel/motel restaurants and food contractors. Commercial Feeding Group sales include all meal and snack sales at commercial restaurants, food contractor outlets, hotel/motel restaurants and retail host restaurants.
Source: National Restaurant Association.

Take out. Once traditionally the domain of fast food outlets, take out food is now offered at an increasing number of mid-scale and upscale establishments. Operators who offer take out service should not suffer any substantial declines in their eat-in business. NRA's recent study, *The Take Out Market*, asked consumers where they would eat if no take out service was available. The majority responded they would not eat out at all if this service was not available.

Home Delivery. Home delivery is also becoming a desirable means for restaurants to expand the scope of their operations. By offering delivery service, restaurateurs are catering to the large number of consumers who would rather stay at home to eat but who also do not wish to prepare a meal themselves.

Nutrition. In response to consumer nutrition awareness, restaurants are expanding their nutritious offerings. Operators are discovering that it is the regular patron who is most consistently concerned about nutrition in restaurants and that light and healthy fare seems to sell better for lunch than dinner. Moreover, restaurants that add nutritious items to their menus often appeal to more consumers than do operations built solely around a nutrition concept.

Promotions. Because of heightened competition within the foodservice industry, promotional strategies are key factors in encouraging consumer usage of new menu items and new restaurant concepts. They also help build customer traffic. In addition to the traditional cents-off promotional coupon, many restaurants are using "meal deals" that offer a full meal priced lower than it would be if bought a la carte. In addition, early bird dinners continue to be a good way to encourage business during the early dinner hour. Overall, restaurateurs appear to be leaning less toward coupons and more toward other types of promotions.

Training. In order to insure high service standards, some operations have set up special employee training camps. Others are using video aids and computers to train their employees to become more skilled, more knowledgeable and more effective managers, servers and chefs.

Outlook for the future

The restaurant industry faces a positive but challenging future for several years to come. A recent NRA research project, which solicited a panel of experts to comment on the future outlook for the industry, predicted that the restaurants of 1990 will flourish, thanks to a strong economy and growing consumer market. However, these experts also felt that restaurants will have to confront some potentially negative developments in the areas of government regulation and legislation, labor shortages and of course the fickle and ever changing consumer. Despite the threats of increased government regulation and labor problems, a basic optimism about the future of foodservice prevails. Changes will come rapidly, but the opportunities for innovation and profitability will be great.

National Restaurant Association
Research and Information Service
Department

UNDERSTANDING MEDIANS & MEANS

The annual studies written by the Research and Development Division of Laventhol & Horwath utilize medians for the majority of their reported results. This article will give an in-depth explanation on medians and quartiles, as well as briefly discuss means, along with practical uses of both.

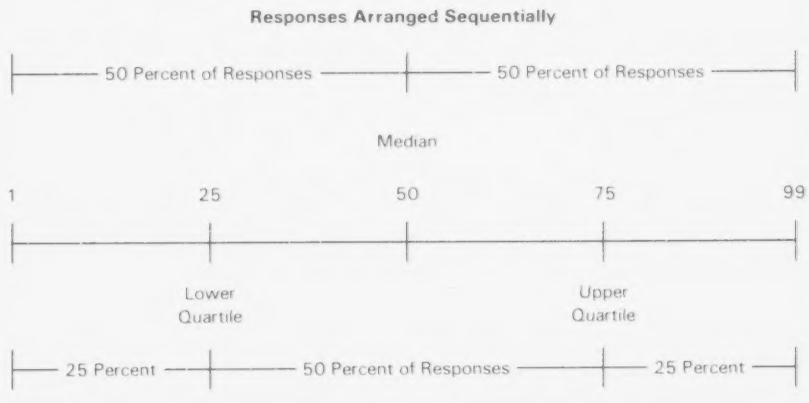
A median is defined as the middle value of all amounts calculated for a specific line item. For example, if we received nine responses for number of full time employees—8,4,2,6,9,7,5,1,3; these numbers would be arranged sequentially—1,2,3,4,5,6,7,8,9 and the middle value "5" would be the median since 50 percent of the responses received are below the value and 50 percent are above.

In conjunction with medians, lower and upper quartiles are used to give a further description to the sample results. Occasionally, we use means to report data, but we believe the median is the most appropriate method to report our results. This is because the median gives less biased results. Medians keep results from being skewed by one or two respondents. For example, if a few responding restaurants incurred large operating losses, these losses would be divided evenly among all restaurants in the sample (when using mean calculations); and bring down the average net profit of the entire group, which for the most part may have had respectable profits.

Quartiles divide the responses into four equal parts, with the median still being the middle value. The *lower quartile* is the value that separates the lowest 25 percent of the responses from the rest of the sample when arranged sequentially, while the *upper quartile* defines the boundaries of the upper 25 percent of the responses from the lower 75 percent. Stated another way, 50 percent of all responses fall between the lower and upper quartiles. For example, if we receive 99 responses for a specific item and the responses (conveniently) were numbered 1 through 99, the median (or middle value) would be 50, the lower quartile would be 25 (25 percent of the responses would be below 25), and the upper quartile would be 75 (25 percent of the responses would be above 75). Fifty percent (or half) of the responses would fall between the lower and upper quartiles. (See chart below.)

While reading this report, it should become evident that columns do not total when medians are involved. The reason behind this is EACH LINE ITEM IS ANALYZED SEPARATELY! In the accompanying table (page 10) when all amounts are arranged sequentially, the median net profit amount per seat for total sales is $4,599. This figure is based on the 431 restaurants* that gave us information for this specific line item. The median net profit amounts per seat for total food and beverage sales were $3,700 and $1,112 respectively. These two amounts were analyzed on a sample of 400 restaurants that gave us separate food sales and beverage sales figures (31 restaurants provided us with only the total for food and beverage sales, not separate food and beverage sales figures). Different sample sizes is one reason why figures do not add to the totals shown.

There is another major reason that columns do not total. When using medians, it is important to remember that the median food sales, the median beverage sales and the median total sales figures reported probably represent the results for three separate restaurants, even though the sample size of each may be equal. This also holds true for lower and upper quartile figures.



UNDERSTANDING MEDIANS
(continued)

Table I

	Amount Per Seat		
	Net Profit		
	Lower Quartile	Median	Upper Quartile
Sales			
Food	$2,196	$3,700	$5,442
Beverage	527	1,112	1,747
Total Sales	2,863	4,399	7,030
Cost of Sales			
Food	786	1,469	2,258
Beverage	146	276	479
Total Cost of Sales	982	1,741	2,686
Gross Profit	1,877	2,920	4,460
Other Income	11	31	82
Total Income	1,953	2,957	4,517

Table II
Restaurant Seating

Restaurant	Number of Seats	Average Daily Seat Turnover	Number Seats Occupied Daily (Column 1 × Column 2)
1	60	3.80	228
2	80	4.20	336
3	100	3.70	370
4	120	2.90	348
5	140	2.00	280
6	160	1.70	272
7	180	1.90	342
8	500	1.20	600
9	600	1.00	600
Total	1,940	22.40	3,376
Median	140	2.00	342[1]
Average (rounded)	216	2.49	538

[1]The median number of seats occupied daily is 342 (the middle value of column 3). Notice that this is not equal to the product of the median number of seats multiplied by the median average daily seat turnover, which is 280. It is incorrect to use medians in calculations, such as addition or multiplication.

The terms MEAN, AVERAGE, and ARITHMETIC MEAN are all synonymous. A mean is calculated by summing the results and dividing by the number of responses. In Table II, the sum of the number of restaurant seats is 1,940. Divide this by the nine respondents and the mean (average) is 216 seats per restaurant. By comparison, the median number of seats is 140. It is obvious that the average is skewed by the two restaurants with 500 and 600 seats.

Table II is a group of restaurants that responded to number of seats available. They also provided the number of guests served, so the average daily seat turnover was calculated. The average number of seats for this sample is approximately 216 (1,940 divided by 9) and the median number of seats is 140 (the middle value of all respondents when responses are arranged sequentially). The average seat turnover is 2.49 and the median is 2.00. With this information, the mean and median for the number of seats occupied daily can be calculated.

- The median number of seats occupied daily is 342 (the middle value of column 3).
- To compute the average number of seats occupied per day, multiply the average number of seats per restaurant of 216 by the average daily seat turnover of 2.49. This gives the average daily seat turnover of approximately 538. The mean number of seats is greatly influenced by the two large properties with 500 and 600 seats.

As shown, median and means both have their uses, with medians not being affected by one or two responses that vary significantly from the rest of the sample. This is the main reason the majority of our studies report the data as medians.

**The number used for sample size are representative and are not actual sample size.*

SECTION A—FOOD ONLY RESTAURANTS

by Elizabeth Ann Rifkin and Jamie B. Mandell
Research Division

Introduction

This section of the study is based on restaurant operations serving only food (no alcoholic beverages) located in 28 states throughout the nation. Operating statistics were received from more than 200 establishments—of which 150 were used based on completeness of the information provided. In 1985, participating establishments had food sales totaling more than $163 million and payroll equalling slightly more than $35 million. Total employee benefits amounted to approximately $3.7 million.

In an effort to make this report more valuable to readers, some enhancements have been made this year. For example, to provide a better understanding of the impact location has on operations, we have added more reporting detail on the physical location of the property.

Profile of participants

Exhibit A-1 presents characteristics for the participating establishments in this year's study. Almost half of the restaurants that responded have been in operation for more than 10 years. The majority of our sample, 70.1 percent, are owned by a private corporation, and 71.4 percent of the restaurants reported that they are the sole occupant of their location.

Various types of establishments are represented. Looking at the exhibit, it is evident that no one specific type of operation dominated the sample. More than half the operations are situated in urban areas, while 34 percent are located in suburban areas and 11 percent in rural areas.

Highlights

- Median food sales per seat for food only restaurants was $6,825 in 1985.
- Median food costs were $2,684 per seat in 1985.
- The median check was $3.71.
- Restaurant profit was 7.0 percent.
- Total sales per full-time equivalent employee were $28,554.

Characteristics

- More than ten years old.
- Part of a privately owned corporation.
- Had sales volume under $900,000 and operated at a profit.
- Had an average of 146 seats with 80 percent of the restaurants having between 33 and 241 seats.
- Majority of restaurants were sole occupants of buildings with approximately 5,200 square feet of space.

Exhibit A-1

Composition of Participating Food Only Restaurants

Years in Business:	Percentage of Respondents
Under 5 Years	28.0%
5 to 10 Years	23.3
Over 10 Years	48.0
Not Specified	0.7
Type of Restaurant:	
Cafeteria	7.3%
Limited Menu—No Tableservice	19.3
Full Menu—Tableservice	20.7
Limited Menu—Tableservice	18.0
Coffee shop	19.3
All Others	0.7
Not Specified	14.7
Region:*	
Northeast	8.0%
North Central	16.0
South	38.7
West	37.3
Location:	
Urban	54.0%
Suburban	34.0
Rural	11.3
Not Specified	0.7
Affiliation:	
Single Unit—Independent	24.0%
Multi-Unit—Company Operated	40.0
Multi-Unit—Franchisee Operated	29.3
Not Specified	6.7
Meals Served:	
Breakfast and Lunch Only	1.3%
Lunch and Dinner Only	44.7
Dinner Only	2.0
All Meals	52.0

Sales Volume:	Percentage of Respondents
Under $450,000	34.7%
$450,000 to $899,999	24.7
$900,000 and Over	40.6
Profit Versus Loss:	
Net Profit	45.3%
Net Loss	8.7
Not Specified	46.0
Restaurant Located In Attached To:	
A Hotel/Motel	3.3%
A Mall/Shopping Center	14.7
An Office Building	2.7
A Transportation Center	1.3
Other	5.3
Sole Occupant	71.4
Not Specified	1.3
Lease Versus Own:	
Own Land and Building	21.3%
Lease Land and Building	66.0
Own Land and Lease Building	0.0
Lease Land and Own Building	10.0
Not Specified	2.7
Ownership:	
Sole Proprietorship	5.3%
Partnership	13.3
Public Corporation	11.3
Private Corporation	70.1
Menu Theme:	
American	14.0%
Hamburgers/Subs	18.0
Chicken	18.0
All others**	28.7
Not Specified	21.3

*Northeast: CT, ME, MA, NH, NJ, NY, PA, RI, VT.
North Central: IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, WI.
South: AL, DC, DE, FL, GA, KY, LA, MD, MS, OK, NC, SC, TN, TX, VA, WV.
West: AK, AZ, CA, CO, HI, ID, MT, NV, NM, OR, UT, WA, WY.

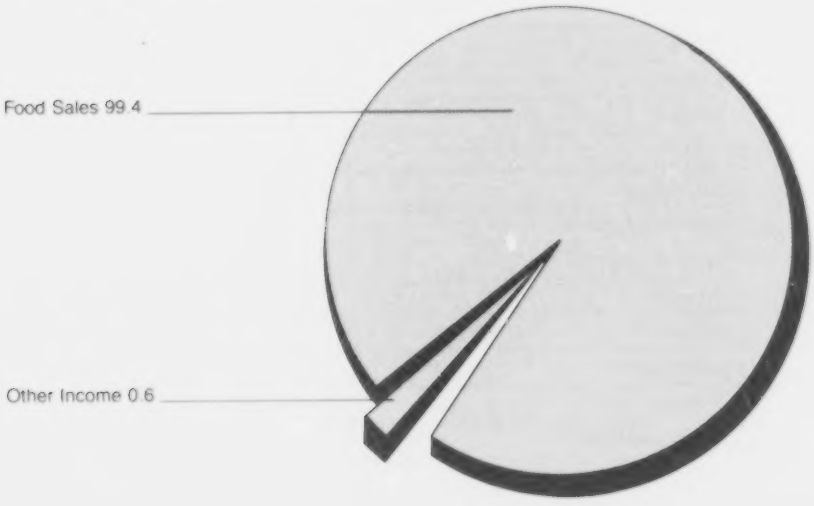
**Includes steak, seafood, steak and seafood, chicken, salad bars, specialty sandwiches and bakery/ice cream.

The restaurant industry dollar

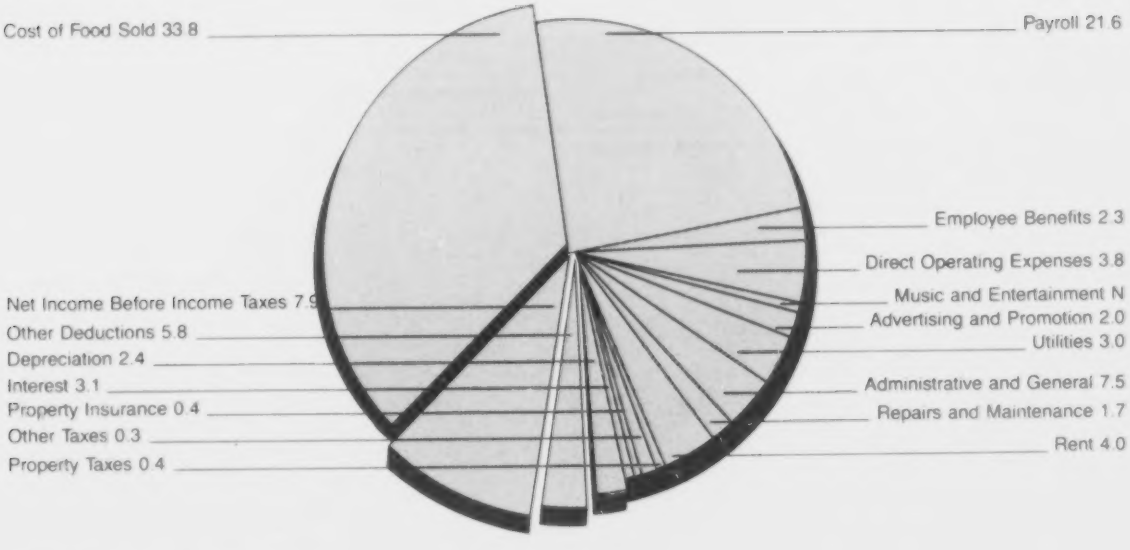
Chart A-1, the restaurant industry dollar, shows sources of revenue and expenses for food only restaurants. In 1985, 99.4 percent of sales was derived from food. The remaining revenue, 0.6 percent, was brought in from miscellaneous sources. The bulk of revenue is allocated to two major expenses: the cost of food sold and payroll.

Chart A-1
The Restaurant Industry Dollar
Food Only Restaurants

Where It Came From*



Where It Went



*All figures are weighted averages.
N – Less than 0.1 percent.

Average check

The average check is illustrated in Exhibit A-2. Tableservice restaurants having full or limited menus reported the highest median average checks of $7.74 and $4.91 respectively. Establishments that serve hamburgers and subs have a median average check well above those that serve chicken, $6.87 versus $4.80.

Exhibit A-2
Food Only
Average Check

	Lower Quartile	Median	Upper Quartile
Age			
Under 5 Years	$3.55	$4.84	$ 6.17
5 to 10 Years	2.87	3.55	5.03
Over 10 Years	3.50	3.55	5.74
Location			
Urban	$3.32	$3.55	$ 4.22
Suburban	3.79	5.00	7.56
Rural	3.00	4.80	5.49
Meals Served			
Breakfast & Lunch Only	**	**	**
Lunch & Dinner Only	$2.79	$4.29	$ 5.39
Dinner Only	**	**	**
All Meals	3.55	3.55	6.89
Menu Theme			
American	$3.33	$4.00	$ 4.80
Hamburgers/Subs	3.55	6.87	12.76
Chicken	3.49	4.80	5.28
Region			
Northeast	$4.02	$5.87	$13.53
North Central	3.42	4.44	9.42
South	2.22	3.79	5.21
West	3.55	3.55	5.20
Type of Restaurant			
Limited Menu—No Tableservice	$3.28	$4.08	$ 6.23
Full Menu—Tableservice	4.22	7.74	13.30
Limited Menu—Tableservice	3.80	4.91	5.49
Coffee Shop	**	3.55	**
All Establishments	$3.42	$3.71	$ 5.52

**Insufficient response.

The average daily seat turnover, which is the average number of times that a seat is used per day, is analyzed in Exhibit A-3. For the most part, an inverse relationship exists with average check. For example, tableservice restaurants that offer a full menu show the lowest median daily seat turnover and report the highest average check. For all establishments, the median seat turnover was 5.9 with a median average check of $3.71.

Exhibit A-3
Food Only
Average Daily Seat Turnover

	Lower Quartile	Median	Upper Quartile
Age			
Under 5 Years	3.1	8.0	11.8
5 to 10 Years	4.3	7.2	9.4
Over 10 Years	2.5	4.6	7.3
Location			
Urban	4.6	7.2	9.2
Suburban	2.2	3.9	8.9
Rural	2.7	4.8	5.9
Meals Served			
Breakfast & Lunch Only	**	**	**
Lunch & Dinner Only	3.4	7.2	11.0
Dinner Only	**	**	**
All Meals	2.4	5.7	7.7
Menu Theme			
American	2.6	4.0	6.0
Hamburgers/Subs	1.5	3.5	6.3
Chicken	5.9	10.9	15.9
Region			
Northeast	**	1.5	**
North Central	1.5	4.0	6.6
South	2.8	6.4	11.9
West	4.7	7.3	8.5
Type of Restaurant			
Limited Menu — No Tableservice	3.5	7.2	10.2
Full Menu — Tableservice	1.2	1.9	5.1
Limited Menu -- Tableservice	2.6	6.1	15.9
Coffee Shop	5.8	7.4	8.3
All Establishments	2.8	5.9	8.9

**Insufficient response

Exhibit A-4
Food Only
Net Income Differential

	Amount Per Seat					
	Net Profit			Net Loss		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Total Sales	$4,482	$8,070	$10,339	$3,246	$4,794	$7,569
Total Cost of Sales	1,520	2,794	3,754	1,067	2,288	2,831
Gross Profit	2,864	5,012	6,625	1,830	3,049	4,658
Other Income	16	28	73	**	**	**
Total Income	2,866	5,012	6,631	1,830	3,049	4,658
Controllable Expenses						
Payroll	1,041	2,057	2,542	841	1,626	2,197
Employee Benefits	32	205	570	**	244	**
Direct Operating Expenses	194	285	420	85	285	407
Music & Entertainment	2	3	8	**	**	**
Advertising & Promotion	34	213	277	13	180	288
Utilities	188	289	358	170	278	334
Administrative & General	108	499	652	71	262	492
Repairs & Maintenance	79	153	208	103	151	276
Total Controllable Expenses	1,922	3,514	4,905	1,578	2,495	4,384
Income Before Occupation Costs	852	1,378	1,872	101	209	657
Occupation Costs						
Rent	246	403	636	132	421	514
Property Taxes	11	27	52	**	**	**
Other Taxes	2	15	254	**	**	**
Property Insurance	14	27	58	**	**	**
Total Occupation Costs	285	500	679	173	421	559
Income Before Interest & Depreciation	482	775	1,276	(218)	(40)	73
Interest	27	56	152	**	**	**
Depreciation	76	136	231	160	260	411
Net Income Before Other Deductions	417	620	1,110	(418)	(229)	(152)
Other Deductions	36	102	356	**	**	**
Net Income (Loss) Before Income Taxes	$ 266	$ 614	$ 1,080	**	**	**
Other Data						
Average Receipt Per Cover	$ 3.00	$ 3.55	$ 3.79	$ 2.21	$ 3.55	$ 3.94
Average Daily Seat Turnover	4.01	7.11	8.67	2.75	5.37	7.11
Productivity Index	3.12	3.45	4.25	2.59	2.81	3.30

**Insufficient response.
N — Negligible.

Ratio to Total Sales

Net Profit			Net Loss		
Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
32.3	35.7	37.0	30.6	31.4	37.9
63.0	64.3	67.7	62.1	68.6	69.4
0.3	0.7	1.4	**	**	**
63.0	64.6	68.3	52.2	62.8	69.2
23.0	25.7	27.3	29.1	31.8	36.2
0.5	3.3	6.1	**	2.9	**
3.0	3.8	5.7	2.2	4.0	5.5
N	N	0.3	**	**	**
1.0	2.4	3.3	1.1	2.4	8.0
2.9	3.6	4.3	4.4	4.7	5.9
2.0	4.9	6.1	1.9	4.6	7.2
1.3	2.0	2.7	2.2	3.5	4.5
40.0	46.0	49.7	47.8	52.9	62.8
13.0	18.9	26.8	2.4	3.9	13.5
3.9	5.3	7.1	4.0	6.4	11.7
0.2	0.5	0.8	**	**	**
0.1	0.4	3.0	**	**	**
0.3	0.5	0.9	**	0.7	**
5.0	5.9	8.7	6.1	8.1	13.2
8.2	11.7	17.9	(5.6)	(1.6)	0.6
0.4	1.0	1.4	**	**	**
1.2	2.0	3.0	2.3	4.2	6.4
6.3	9.0	14.0	(10.3)%	(5.8)%	(3.9)%
0.8	2.1	8.0	**	**	**
5.1%	7.4%	13.9%	**	**	**

Net income differential

Exhibit A-4 presents the results for those responding establishments with a net profit before income taxes and those with a net loss before income taxes in 1985. The per seat amounts are computed by dividing the selected expenses by number of seats in the establishment. The ratios to total sales are calculated by dividing expenses by total revenue for the restaurant.

The median total sales per seat for establishments reporting a net income is $8,070, compared to only $4,794 for those reporting a net loss. Controllable expenses for restaurants reporting a net profit are $3,514, or 46 percent of total sales, compared to $2,495, or 52.9 percent of total sales for establishments reporting a net loss.

Operations reporting a net loss for the year have higher controllable and occupancy expenses as a ratio to total sales than their profitable counterparts. This fact along with $3,000 less in median sales per seat, is the main reason why these opetations report a net loss.

Earnings ratio

Earnings ratios by various criteria are detailed in Exhibit A-5. The earnings ratio is calculated by dividing an operation's income or loss before income tax by total sales.

For all restaurants, the median earnings ratio is 6.6 percent, with half the respondents reporting earnings ratios between 3 percent and 11.9 percent.

By restaurant type, coffee shops have the lowest median earnings ratio of 6.1 percent, while limited menu—tableservice operations have the highest median of 7.7 percent of total sales.

Cost per dollar of sales

Coffee shop and full menu tableservice restaurants spend 31.8 and 31.5 cents, respectively, per sales dollar on payroll. This is a higher percentage than all other types of operations. By type of establishment, coffee shops have the highest food cost per dollar of sales—spending 36.6 cents. By menu theme, American food establishments report the highest cost of sales and total payroll cost per dollar of sales. Detailed results may be seen in Exhibit A-6.

Exhibit A-5
Food Only
Earnings Ratio

	Lower Quartile	Median	Upper Quartile
All Food Only Restaurants	3.0%	6.6%	11.9%
Lease Land and Building	2.7%	6.3%	11.2%
Own Land and Building	4.7%	10.5%	20.4%
Restaurant Located In Attached To:			
A Hotel/Motel	**	**	**
A Mall/Shopping Center	(4.1)%	14.6%	20.7%
An Office Building	**	**	**
Sole Occupant	3.3	6.5	10.5
Type of Restaurant			
Limited Menu — No Tableservice	2.2%	7.4%	15.5%
Full Menu — Tableservice	2.5	7.0	13.4
Limited Menu — Tableservice	**	7.7	**
Coffee Shop	3.0	6.1	9.2

**Insufficent response

Total sales versus total cost of sales

Charts A-2 through A-9 show the relationships between total sales and total food cost by various criteria.

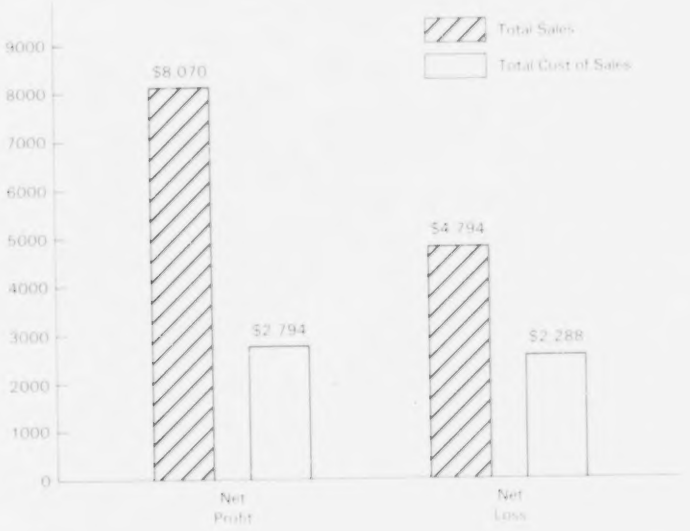
- Limited menu—tableservice restaurants have the highest total sales per seat of $10,537. Limited menu restaurants with no tableservice are close behind, reporting total sales per seat of $10,426 (see Chart A-3). Limited menu restaurants with no tableservice have the highest median daily seat turnover of 7.2 (see Exhibit A-3). Therefore, it is not surprising that this group has the highest median restaurant profit per seat of $763 (see Exhibit A-19).
- As shown in Chart A-5, establishments located in urban areas have substantially higher total sales per seat than restaurants in suburban or rural areas. Urban restaurants also report the highest profit at $620 per seat. Suburban establishments show a median profit of $309 per seat, and rural restaurants $486 per seat (see Exhibit A-21).
- Multi-unit franchised restaurants have the highest median total sales per seat—$8,008. In comparison, multi-unit company-operated and single-unit independent operations have lower median total sales of $7,921 and $4,719, respectively (Chart A-6).
- Chart A-8 illustrates that establishments located in the Western region of the United States have median total sales of $9,679—substantially higher than those located in other areas of the country. Relating this to Exhibit A-3, these restaurants also have a higher daily seat turnover—7.3, compared with a range of 1.5 to 6.4 for the other regions.
- Chart A-9 illustrates median total sales and total cost of sales per seat by menu theme. Restaurants specializing in chicken report the highest total sales of $19,432—significantly higher than the others, which have total sales of $5,056 and $5,242.

Exhibit A-6
Food Only
Cost Per Dollar of Sales*

	Total Cost of Sales	Total Payroll	Prime Cost
All Food Only Restaurants	34.7¢	29.8¢	64.4¢
Type of Restaurant			
Limited Menu—No Tableservice	36.0¢	23.1¢	59.3¢
Full Menu—Tableservice	32.0	31.5	64.5
Limited Menu—Tableservice	31.7	21.1	52.5
Coffee Shop	36.6	31.8	68.4
Location			
Urban	35.5¢	30.9¢	66.4¢
Suburban	32.2	27.1	60.0
Rural	35.0	26.7	60.1
Profit Versus Loss			
Net Profit	35.7¢	30.1¢	65.4¢
Net Loss	31.4	35.6	68.7
Ownership			
Sole Proprietorship	35.6¢	25.6¢	60.9¢
Partnership	31.0	21.0	52.1
Public Corporation	**	**	**
Private Corporation	35.6	31.3	66.0
Meals Served			
Breakfast & Lunch Only	**	**	**
Lunch & Dinner Only	32.1¢	22.5¢	57.6¢
Dinner Only	**	**	**
All Meals	35.7	31.5	67.6
Menu Theme			
American	33.6¢	34.6¢	65.8¢
Hamburgers/Subs	33.1	30.0	64.4
Chicken	31.6	20.6	51.8

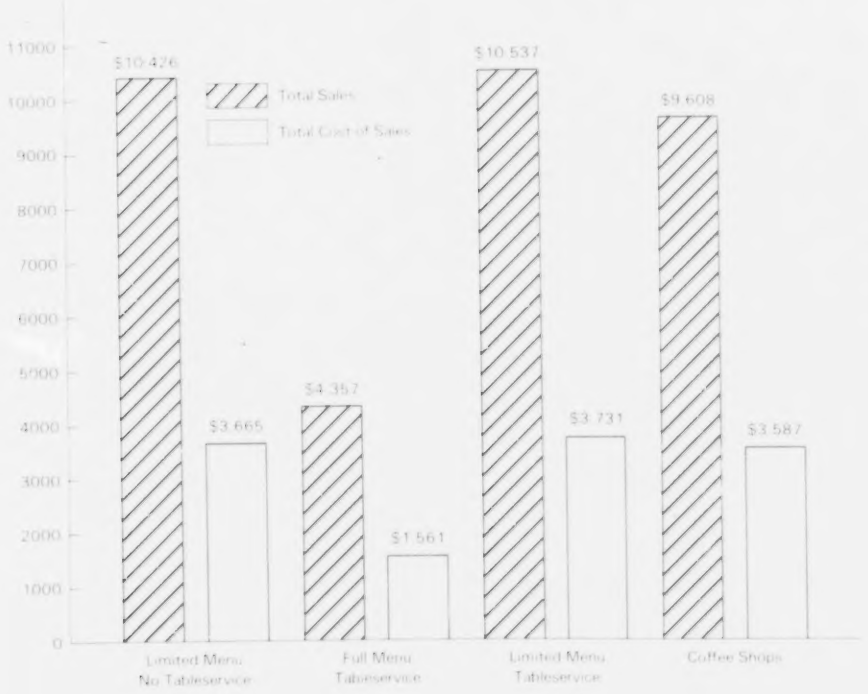
*All amounts are medians.
**Insufficient response.

Chart A-2
Amount Per Seat*
Food Only
Total Sales vs. Total Cost of Sales—Net Profit or Loss



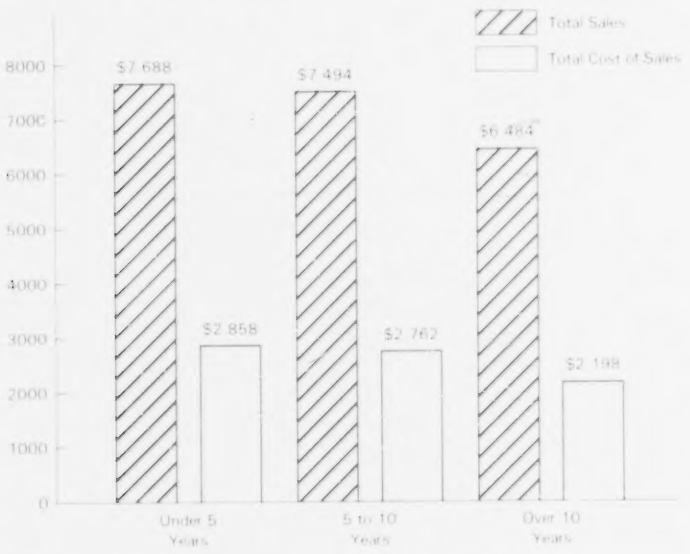
*All amounts are medians

Chart A-3
Amount Per Seat*
Food Only
Total Sales vs. Total Cost of Sales—Type of Restaurant



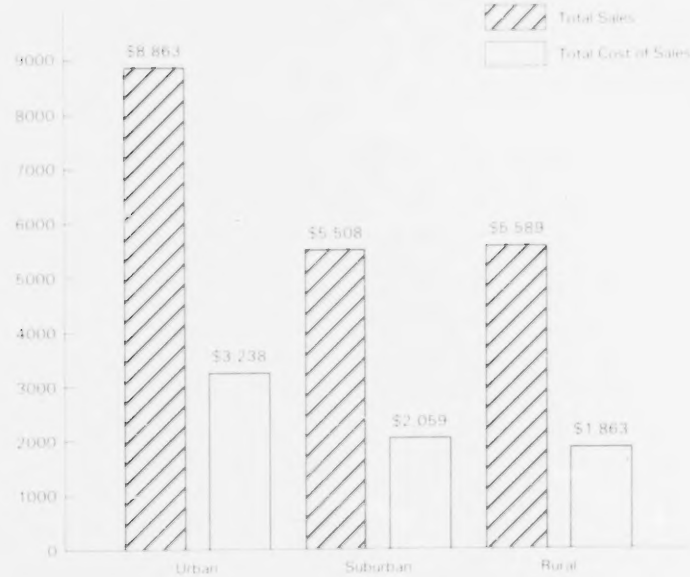
*All amounts are medians

Chart A-4
Amount Per Seat*
Food Only
Total Sales vs. Total Cost of Sales—Years in Business



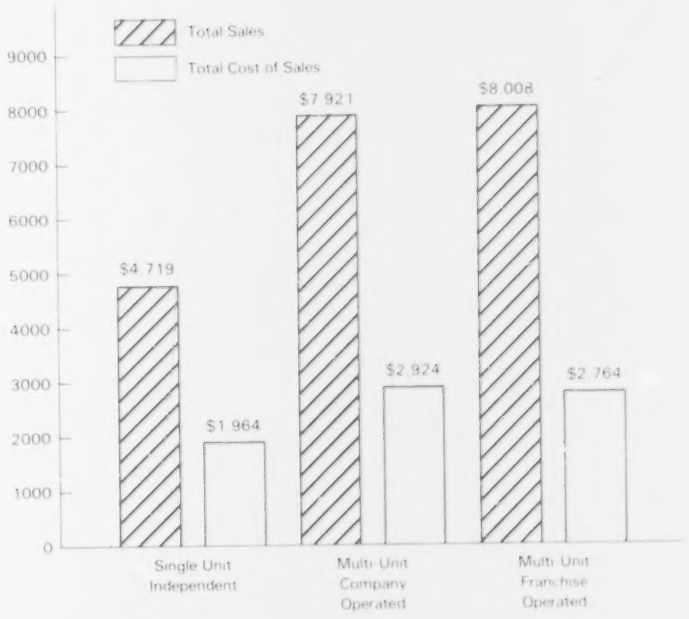
*All amounts are medians

Chart A-5
Amount Per Seat*
Food Only
Total Sales vs. Total Cost of Sales—Location



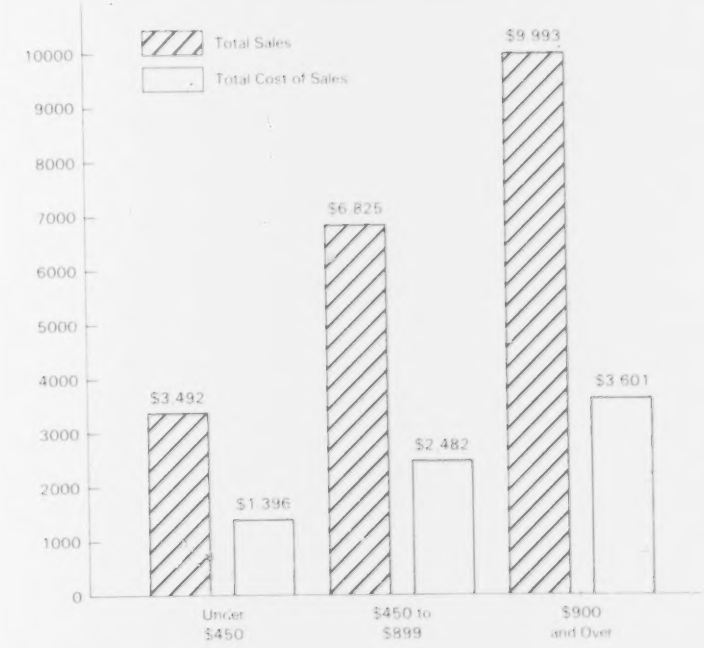
*All amounts are medians

Chart A-6
Amount Per Seat*
Food Only
Total Sales vs. Total Cost of Sales—Affiliation



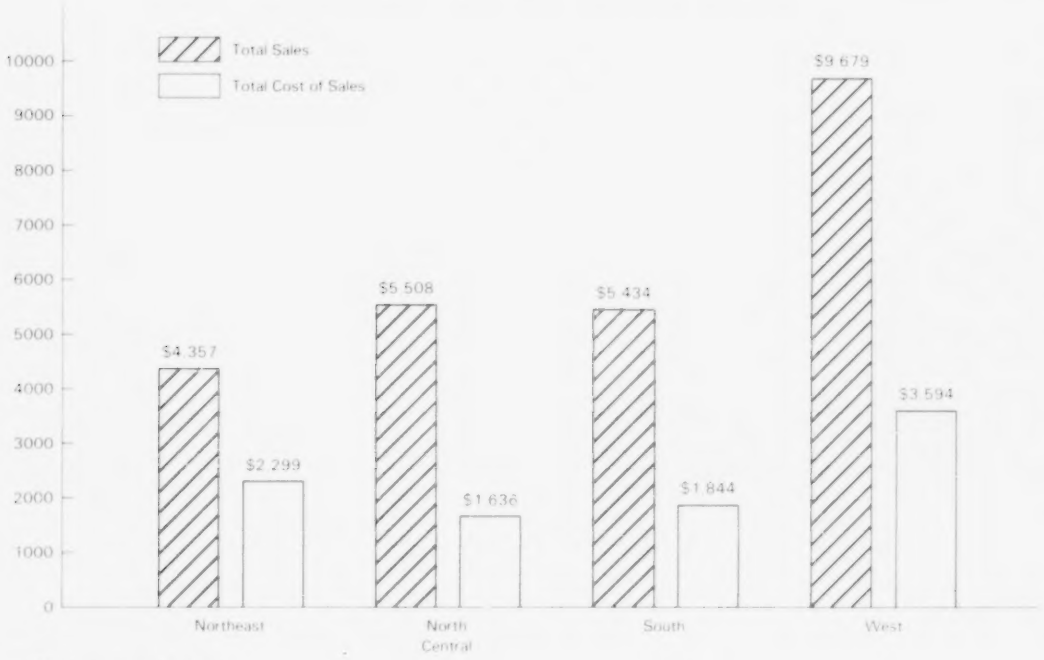
*All amounts are medians

Chart A-7
Amount Per Seat*
Food Only
Total Sales vs. Total Cost of Sales—Sales Volume ($000)



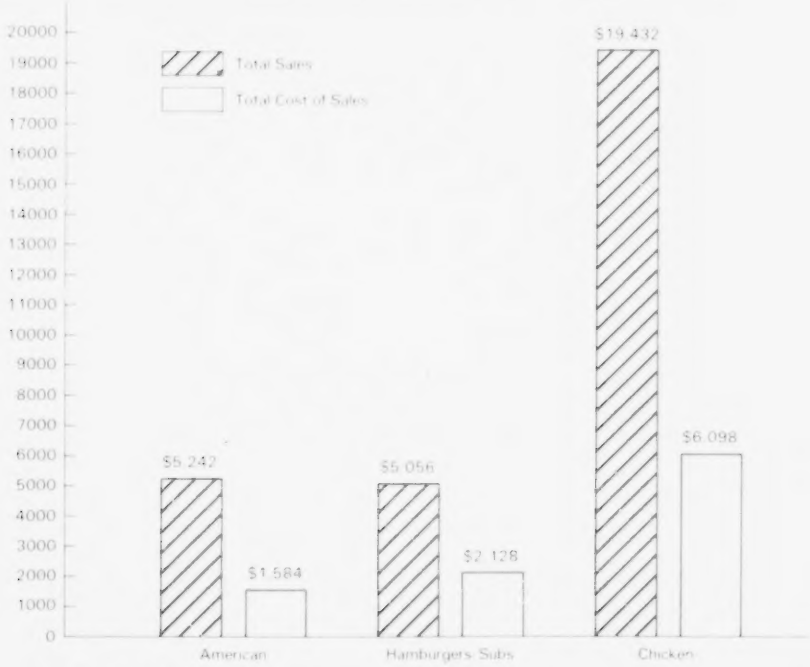
*All amounts are medians

Chart A-8
Amount Per Seat*
Food Only
Total Sales vs. Total Cost of Sales—Region



*All amounts are medians

Chart A-9
Amount Per Seat*
Food Only
Total Sales vs. Total Cost of Sales—Menu Theme



*All amounts are medians

Number of employees

Data on the number of employees per restaurant, are presented in Exhibit A-7. Limited menu—tableservice restaurants have the highest median number of part-time (20-35 hours) employees (10). By menu theme, establishments serving American cuisine employed the highest number of full-time workers (25 persons), while other restaurants employed a median of 10 to 15 persons on a full-time basis.

Exhibit A-8 provides information for full-time equivalent (FTE) employees. It also illustrates the index of productivity for the various categories listed. The number of full-time equivalent employees is based on the number of hours worked. The productivity index is calculated by dividing a restaurant's total sales by its total payroll expense. Limited menu—tableservice operations have the highest median sales per FTE and the lowest payroll per FTE. Therefore, this group achieved the highest index of productivity at 4.69. This means that for every dollar spent on payroll, $4.69 was received in food sales.

Occupancy costs

Exhibit A-9 displays fixed costs as amounts per seat by type, location and region of the country. Limited menu—tableservice restaurants have the highest rent expense per seat ($647), followed by limited menu restaurants with no tableservice at $501. Full menu—tableservice restaurants have the lowest cost of $223.

Exhibit A-7
Food Only
Number of Employees*

	Number of Employees Per Restaurant		
	Full-Time	Part-Time (20-35 Hours)	Part-Part-Time (Under 20 Hours)
All Restaurants	12.0	10.0	6.5
Profit Versus Loss			
Net Profit	24.5	9.5	6.5
Net Loss	5.0	2.0	6.0
Location			
Urban	18.0	6.0	6.0
Suburban	10.0	10.0	10.0
Rural	20.0	10.0	5.0
Type of Restaurant			
Limited Menu — No Tableservice	3.0	9.0	6.0
Full Menu — Tableservice	12.0	7.0	8.0
Limited Menu — Tableservice	15.0	10.0	10.0
Coffee Shop	**	**	**
Menu Theme			
American	25.0	15.0	11.0
Hamburgers/Subs	10.0	6.5	5.0
Chicken	15.0	10.0	8.0

*All amounts are medians.
**Insufficient response.

Exhibit A-8
Food Only
Employee Information*

	Full Time Equivalent Employees			Amount Per Full Time Equivalent Employee			
	Total	Per 100 Restaurant Seats	Per 100 Average Daily Covers	Total Sales	Total Payroll	Training Costs†	Index of Productivity
All Restaurants	27.3	25.6	4.8	$28,554	$ 8,239	$ 281	3.55
Profit Versus Loss							
Net Profit	35.6	26.5	4.4	$29,237	$ 8,685	$ 250	3.45
Net Loss	22.0	16.1	5.8	25,212	8,626	**	2.81
Location							
Urban	29.1	27.4	4.5	$28,860	$ 8,818	$ 681	3.27
Suburban	22.0	22.6	5.9	29,136	7,311	381	4.23
Rural	30.0	31.3	5.4	26,857	7,048	157	3.92
Type of Restaurant							
Limited Menu—No Tableservice	13.8	23.6	**	$31,871	$8,546	$ 187	4.41
Full Menu—Tableservice	26.3	20.0	7.3	23,718	7,490	127	3.20
Limited Menu—Tableservice	30.0	51.8	5.4	32,513	6,835	600	4.69
Coffee Shop	**	**	**	**	**	**	3.14
Menu Theme							
American	37.5	19.1	4.4	$27,354	$ 8,654	$ 39	2.99
Hamburgers/Subs	17.8	21.3	5.9	25,217	7,681	192	3.27
Chicken	27.5	62.5	5.5	34,263	7,536	522	5.01

*All amounts are medians.
**Insufficient response.
†These are estimated training costs for 1985. Estimates were made by the individual restaurants.

Exhibit A-9
Food Only
Occupancy Costs, Interest and Depreciation—Amount Per Seat*

		Type of Restaurant				Location			Region			
	Total	Limited Menu No Table-service	Full Menu Table-service	Limited Menu Table-service	Coffee Shop	Urban	Suburban	Rural	North-east	North Central	South	West
Rent	$412	$501	$223	$647	$486	$425	$433	$313	$136	$495	$471	$422
Property Taxes	41	57	41	77	**	44	51	16	**	51	38	46
Other Taxes	21	61	42	4	**	13	28	18	**	195	5	41
Property Insurance	47	49	39	133	**	38	51	29	65	24	40	50
Interest	56	87	56	73	86	90	84	38	**	56	44	59
Depreciation	163	250	71	485	187	188	141	106	169	94	165	188

*All amounts are medians.
**Insufficient response.

Special analysis

Exhibits A-10 through A-17 provide a detailed look at results for different types of restaurants in the industry. All figures are presented as amounts per seat and as ratios to total sales. Profit before occupation costs and restaurant profit are presented in these special cross tabulations by the following categories.

- Franchise versus organization.
- Location versus type of restaurant.
- Age of operation versus sales volume.
- Menu theme versus sales volume.

To use these eight exhibits, locate the characteristics that best describe your restaurant on the appropriate table (one row and one column), then find the intersection. The upper portion of each box presents the amount per seat, while the lower portion shows the percentage of total sales. For example, to identify restaurant profit for coffee shops in urban locations refer to Exhibit A-12. Where column 4 and row 1 intersect, the reader finds that restaurant profit as an amount per seat is $637 and 6.1 percent of total sales. This special analysis is designed to give restaurant operators a more detailed comparison of operating results for restaurants with characteristics similar to their own facilities.

Other examples from this special analysis include:

- Franchisee establishments, both single and multi-unit, report higher profits before occupancy costs than independent units, but after occupancy costs, independent multi-units realize the highest restaurant profit as an amount per seat. (Exhibits 10 and 11.)
- Exhibits 12 and 13 analyze cross tabulations by type of restaurant and locations. Suburban restaurants that offer a limited menu with tableservice realize a substantially higher profit before occupancy costs as an amount per seat than do other restaurants.
- Comparing sales volume with the age of the operation (Exhibits 14 and 15) shows restaurants that have been in business five to ten years and have a sales volume between $450,000 and $800,000 have the highest profit of $951 per seat. They return 9.4 percent of total sales to the bottom line.

Exhibit A-10
Food Only
Cross Tabulation of Profit Before Occupation Costs
Amount Per Seat and Ratio to Total Sales*
By Franchise and Type of Organization

Amount Per Seat / Ratio to Total Sales		Organization: Single Unit	Organization: Multi-Unit	Total
Franchise	Franchisee	$1,577	$1,537	$1,557
		24.0%	24.7%	24.5%
	Independent	$ 670	$1,243	$1,132
		16.1%	16.0%	16.0%
	Total	$ 991	$1,378	$1,243
		19.3%	18.1%	19.1%

*All amounts are medians.
**Insufficient response.

Exhibit A-11
Food Only
Cross Tabulation of Restaurant Profit
Amount Per Seat and Ratio to Total Sales*
By Franchise and Type of Organization

Amount Per Seat / Ratio to Total Sales		Organization: Single Unit	Organization: Multi-Unit	Total
Franchise	Franchisee	**	$514	$514
		**	12.3%	11.6%
	Independent	$233	$620	$510
		6.2%	6.8%	6.5%
	Total	$270	$594	$510
		6.6%	7.4%	7.0%

*All amounts are medians.
**Insufficient response.

Exhibit A-12
Food Only
Cross Tabulation of Profit Before Occupation Costs
Amount Per Seat and Ratio to Total Sales*
By Location and Type of Restaurant

Amount Per Seat / Ratio to Total Sales		Type of Restaurant				Total
		Limited Menu-No Tableservice	Full Menu Tableservice	Limited Menu Tableservice	Coffee Shop	
Location	Urban	$1,664	$327	$1,448	$1,378	$1,320
		19.4%	15.3%	22.5%	13.2%	16.5%
	Suburban	$3,317	$872	$5,859	**	$1,488
		28.3%	18.8%	27.8%	**	25.3%
	Rural	**	**	**	**	$1,069
		**	**	**	**	20.7%
	Total	$2,168	$741	$1,992	$1,275	$1,243
		26.1%	17.9%	24.7%	12.8%	19.1%

*All figures are medians.
**Insufficient response.

Exhibit A-13
Food Only
Cross Tabulation of Restaurant Profit
Amount Per Seat and Ratio to Total Sales*
By Location and Type of Restaurant

Amount Per Seat / Ratio to Total Sales		Type of Restaurant				Total
		Limited Menu-No Tableservice	Full Menu Tableservice	Limited Menu Tableservice	Coffee Shop	
Location	Urban	$792	$145	**	$637	$620
		8.4%	3.3%	**	6.1%	7.0%
	Suburban	**	$336	**	**	$309
		**	5.3%	**	**	7.4%
	Rural	**	**	**	**	$486
		**	**	**	**	7.4%
	Total	$763	$336	$509	$521	$510
		12.8%	7.0%	12.1%	5.9%	7.0%

*All amounts are medians.
**Insufficient response.

Exhibit A-14
Food Only
Cross Tabulation of Profit Before Occupation Costs
Amount Per Seat and Ratio to Total Sales*
By Sales Volume and Age of Operation

Amount Per Seat / Ratio to Total Sales		Sales Volume			
		Under $450,000	$450,000 to $899,999	$900,000 and Over	Total
Age	Under 5 Years	$710 / 16.7%	$1,380 / 21.2%	$4,913 / 24.7%	$1,769 / 21.2%
	5 to 10 Years	$879 / 24.8%	$1,972 / 22.9%	$1,380 / 15.8%	$1,380 / 21.1%
	Over 10 Years	$652 / 19.0%	$1,309 / 21.1%	$1,207 / 14.5%	$1,043 / 17.8%
	Total	$663 / 19.1%	$1,488 / 22.7%	$1,638 / 17.0%	$1,243 / 19.1%

*All amounts are medians.

Exhibit A-15
Food Only
Cross Tabulation of Restaurant Profit
Amount Per Seat and Ratio to Total Sales*
By Sales Volume and Age of Operation

Amount Per Seat / Ratio to Total Sales		Sales Volume			
		Under $450,000	$450,000 to $899,999	$900,000 & Over	Total
Age	Under 5 Years	$135 / 0.4%	** / **	** / **	$521 / 5.7%
	5 to 10 Years	$608 / 14.5%	$951 / 9.4%	$775 / 7.9%	$729 / 9.1%
	Over 10 Years	$186 / 6.2%	$224 / 6.4%	$569 / 7.0%	$442 / 6.9%
	Total	$242 / 7.0%	$358 / 7.7%	$620 / 7.0%	$510 / 7.0%

*All amounts are medians.
**Insufficient response.

Exhibit A-16
Food Only
Cross Tabulation of Profit Before Occupation Costs
Amount Per Seat and Ratio to Total Sales*
By Sales Volume and Menu-Theme

Menu Theme	Amount Per Seat / Ratio to Total Sales	Sales Volume: Under $450,000	Sales Volume: $450,000 to $899,999	Sales Volume: $900,000 & Over	Total
American		**	**	$1,137	$1,156
		**	**	20.0%	21.5%
Hamburgers/Subs		$455	**	**	$1,132
		15.8%	17.7%	**	17.9%
Chicken		**	$3,151	$8,672	$5,493
		**	27.4%	26.4%	26.4%
Total		$663	$1,488	$1,638	$1,243
		19.1%	22.7%	17.0%	19.1%

*All amounts are medians
**Insufficient response

Exhibit A-17
Food Only
Cross Tabulation of Restaurant Profit
Amount Per Seat and Ratio to Total Sales*
By Sales Volume and Menu Theme

Menu Theme	Amount Per Seat / Ratio to Total Sales	Sales Volume: Under $450,000	Sales Volume: $450,000 to $899,999	Sales Volume: $900,000 & Over	Total
American		**	**	$557	$551
		**	**	7.4%	7.2%
Hamburgers/Subs		$ 6	**	**	$447
		0.2%	**	**	7.9%
Chicken		**	**	**	**
		**	**	**	**
Total		$242	$358	$620	$510
		7.0%	7.7%	7.0%	7.0%

*All amounts are medians
**Insufficient response

Summary

Exhibits A-18 through A-28 illustrate summary income statements for all restaurants serving food only by type of restaurant, age of restaurant, location, affiliation, sales volume, region and menu theme. These results are presented as amounts per seat and ratios to total sales. Amounts are presented by lower quartile, median and upper quartile.

It is important to note that columns such as the median one, cannot be totaled. Each line item is analyzed individually, so the median restaurant in one category may not be the median for another. Also, readers should note that when comparing their establishments to a selected income statement, factors such as the size of the restaurant and region of the country may predetermine several costs and expenses and will automatically make a figure differ from the median. For further information on medians, please refer to "Understanding Medians" found on page 9.

Exhibit A-18
Food Only
Statement of Income and Expenses—All Restaurants

	All Restaurants					
	Amount Per Seat			Ratio to Total Sales		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Total Sales	$3,891	$6,825	$11,357	100.0%	100.0%	100.0%
Total Cost of Sales	1,398	2,684	3,988	31.1	34.7	36.9
Gross Profit	2,521	4,538	7,603	63.1	65.3	68.9
Other Income	3	19	51	0.1	0.3	0.9
Total Income	2,531	4,590	7,612	63.1	65.7	69.1
Controllable Expenses						
Payroll	1,046	2,019	2,691	20.7	25.3	29.6
Employee Benefits	37	198	441	0.5	2.7	5.8
Direct Operating Expenses	145	240	399	2.7	3.7	5.1
Music & Entertainment	2	3	23	0.1	0.1	0.3
Advertising & Promotion	52	197	346	1.1	2.5	4.2
Utilities	193	295	418	3.0	3.8	5.0
Administrative & General	92	374	734	2.2	4.9	6.8
Repairs & Maintenance	75	160	269	1.4	2.1	2.9
Total Controllable Expenses	1,847	3,514	5,025	38.2	46.2	52.4
Income Before Occupation Costs	644	1,243	2,382	12.6	19.1	27.2
Occupation Costs						
Rent	238	411	682	3.8	5.3	7.3
Property Taxes	16	41	92	0.4	0.6	1.0
Other Taxes	2	21	151	N	0.4	2.5
Property Insurance	19	46	105	0.3	0.6	1.0
Income Before Interest & Depreciation	203	741	1,723	6.6	11.5	19.6
Interest	17	56	165	0.4	1.0	2.3
Depreciation	76	162	410	1.5	2.4	3.9
Restaurant Profit	$ 138	$ 510	$ 948	3.1%	7.0%	13.6%

N = Negligible

Exhibit A-19
Food Only
Statement of Income and Expenses—Amount Per Seat

	Type of Restaurant		
	Limited Menu No Tableservice		
	Lower Quartile	Median	Upper Quartile
Total Sales	$4,062	$10,425	$19,453
Total Cost of Sales	1,917	3,665	6,511
Gross Profit	2,510	6,776	12,787
Other Income	••	28	••
Total Income	2,531	6,792	12,787
Controllable Expenses			
Payroll	989	1,962	3,392
Employee Benefits	33	90	346
Direct Operating Expenses	173	256	1,182
Music & Entertainment	••	••	••
Advertising & Promotion	41	293	916
Utilities	224	311	687
Administrative & General	111	729	1,375
Repairs & Maintenance	50	177	394
Total Controllable Expenses	1,722	4,594	6,398
Income Before Occupation Costs	502	2,168	6,598
Occupation Costs			
Rent	268	501	1,031
Property Taxes	28	57	273
Other Taxes	8	61	164
Property Insurance	25	48	55
Income Before Interest & Depreciation	34	876	3,811
Interest	45	86	238
Depreciation	127	250	897
Restaurant Profit	$ (11)	$ 763	$ 3,213

••Insufficient response

Type of Restaurant								
Full Menu Tableservice			Limited Menu Tableservice			Coffee Shop		
Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
$3,366	$4,356	$6,820	$3,483	$10,537	$26,209	$7,542	$9,608	$10,985
1,063	1,560	2,951	1,450	3,731	7,866	2,699	3,587	4,030
1,635	3,032	4,974	2,225	6,805	18,342	4,743	6,245	6,936
4	6	26	**	**	**	**	**	**
1,630	3,034	4,981	2,302	6,805	18,342	4,743	6,245	6,936
889	1,226	2,388	881	1,748	5,375	2,244	2,521	2,789
106	204	272	12	85	200	442	572	679
106	154	362	**	237	**	300	345	425
**	**	**	**	**	**	**	**	**
22	73	200	111	679	1,128	160	234	269
129	256	333	162	347	751	299	341	405
33	73	202	180	1,858	3,744	498	605	703
40	92	174	84	226	672	182	217	282
1,159	2,382	3,770	1,499	4,461	11,800	4,128	4,879	5,331
268	741	1,894	824	1,992	7,426	670	1,275	1,722
141	223	503	244	646	1,451	299	485	627
10	40	55	13	77	170	**	**	**
3	42	299	1	4	104	**	**	**
27	39	74	16	132	237	**	**	**
139	552	1,287	575	1,333	5,160	353	834	1,215
14	56	163	16	73	165	16	86	155
34	71	224	126	485	901	91	187	262
$ 6	$ 336	$ 660	$ 298	$ 509	$ 1,026	$ 215	$ 521	$ 912

Exhibit A-20
Food Only
Statement of Income and Expenses—Ratio to Total Sales

	Type of Restaurant		
	Limited Menu No Tableservice		
	Lower Quartile	Median	Upper Quartile
Total Sales	100.0%	100.0%	100.0%
Total Cost of Sales	33.2	36.0	41.8
Gross Profit	58.2	64.0	66.8
Other Income	0.1	0.3	0.7
Total Income	58.6	64.6	67.5
Controllable Expenses			
Payroll	15.8	21.4	28.2
Employee Benefits	0.7	1.3	3.3
Direct Operating Expenses	1.5	4.0	7.7
Music & Entertainment	**	**	**
Advertising & Promotion	1.4	3.0	5.5
Utilities	2.9	3.4	4.8
Administrative & General	3.6	4.4	8.3
Repairs & Maintenance	0.8	1.9	2.7
Total Controllable Expenses	35.6	38.1	46.4
Income Before Occupation Costs	14.0	26.1	31.6
Occupation Costs			
Rent	2.2	5.0	7.4
Property Taxes	0.5	1.0	1.9
Other Taxes	0.1	0.6	4.4
Property Insurance	0.3	0.5	0.8
Income Before Interest & Depreciation	10.4	16.5	26.1
Interest	0.4	1.0	3.1
Depreciation	2.1	3.0	4.7
Restaurant Profit	5.6%	12.8%	18.0%

N—Negligible.
**Insufficient response.

Type of Restaurant								
Full Menu Tableservice			Limited Menu Tableservice			Coffee Shop		
Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
30.0	32.0	33.9	30.4	31.7	35.6	35.7	36.6	37.2
66.1	68.0	70.0	64.4	68.3	69.6	62.8	63.4	64.3
(0.1)	0.1	0.7	**	**	**	**	**	**
66.1	68.0	70.0	65.7	68.3	69.6	62.8	63.4	64.3
25.8	27.9	31.0	19.2	20.8	23.2	24.8	26.2	28.6
1.4	4.8	5.9	0.3	0.5	0.9	5.7	6.1	6.5
2.8	3.4	5.5	**	5.5	**	3.3	3.8	4.5
**	**	**	**	**	**	**	**	**
0.4	2.3	3.2	3.7	3.9	4.6	2.4	2.4	2.4
3.4	4.9	6.6	2.4	3.5	3.9	3.4	3.9	4.4
1.0	1.4	3.3	3.8	11.8	14.8	6.1	6.2	6.4
1.0	1.5	2.8	1.6	2.6	3.2	1.9	2.2	3.7
41.4	46.0	54.2	39.5	41.6	46.9	47.9	51.5	55.2
10.8	17.9	26.2	19.5	24.7	28.3	9.6	12.8	15.9
3.1	5.3	10.3	4.2	5.7	7.1	4.2	5.0	5.8
0.3	0.6	1.3	0.3	0.5	0.8	**	**	**
**	0.4	**	N	0.1	0.7	**	**	**
0.4	0.7	2.0	0.3	0.8	1.7	**	**	**
2.9	8.6	19.1	11.3	17.5	22.3	4.2	8.3	10.3
**	0.8	**	0.5	1.2	4.5	0.2	1.2	2.0
0.9	1.5	3.8	2.5	3.3	4.2	1.3	2.1	2.4
0.2%	7.0%	14.1%	7.7%	12.1%	14.3%	3.0%	5.9%	7.2%

Exhibit A-21
Food Only
Statement of Income and Expenses—Amount Per Seat

	Years in Business								
	Under 5 Years			5 to 10 Years			Over 10 Years		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Total Sales	$4,578	$7,687	$18,849	$4,314	$7,494	$11,164	$3,483	$6,483	$9,791
Total Cost of Sales	1,542	2,585	5,701	1,857	2,761	4,195	1,252	2,198	3,544
Gross Profit	2,911	4,829	13,148	2,829	4,868	7,476	1,988	4,425	6,283
Other Income	**	**	**	**	7	**	8	27	67
Total Income	2,911	4,829	13,148	2,824	4,868	7,476	2,014	4,539	6,283
Controllable Expenses									
Payroll	1,064	2,554	4,736	1,117	1,914	2,535	875	1,715	2,493
Employee Benefits	22	108	256	45	220	471	77	447	488
Direct Operating Expenses	132	210	446	164	297	490	126	231	332
Music & Entertainment	**	**	**	**	**	**	1	3	23
Advertising & Promotion	66	319	951	153	232	384	34	94	227
Utilities	181	300	674	204	295	391	189	292	369
Administrative & General	151	706	3,018	88	333	613	80	259	674
Repairs & Maintenance	65	195	542	99	177	209	84	148	242
Total Controllable Expenses	1,919	4,156	8,628	2,262	3,811	4,860	1,530	3,032	4,786
Income Before Occupation Costs	760	1,769	4,912	665	1,380	2,402	402	1,043	1,956
Occupation Costs									
Rent	359	669	1,136	329	495	598	165	317	494
Property Taxes	20	51	125	16	46	95	15	34	60
Other Taxes	2	5	105	4	61	243	9	33	195
Property Insurance	27	61	181	17	33	74	14	39	68
Income Before Interest & Depreciation	282	1,223	3,561	88	746	1,622	173	626	1,383
Interest	43	149	274	18	100	160	16	38	156
Depreciation	163	402	850	110	210	305	61	115	202
Restaurant Profit	$ (62)	$ 521	$ 1,250	$ 71	$ 729	$ 1,402	$ 140	$ 442	$ 686

**Insufficient response.

Location								
Urban			Suburban			Rural		
Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
$4,347	$8,863	$11,461	$3,834	$5,508	$16,000	$3,709	$5,589	$8,446
1,480	3,238	3,988	1,315	2,058	5,695	1,279	1,862	2,951
2,767	5,606	7,795	2,439	3,744	10,965	2,495	4,002	5,068
(3)	12	64	4	21	33	••	29	••
2,765	5,606	7,795	2,453	3,748	10,965	2,495	4,002	5,585
1,041	2,248	2,675	1,069	1,550	3,438	952	1,845	2,318
50	311	570	54	142	239	11	51	165
159	278	418	125	171	440	136	237	380
••	••	••	1	7	20	••	••	••
85	236	352	31	156	780	25	87	219
237	315	409	159	300	561	169	219	307
123	513	703	71	216	834	89	301	789
124	190	279	57	94	199	61	105	212
1,986	4,156	5,033	1,490	2,500	6,023	1,817	2,652	3,832
508	1,320	2,360	675	1,488	4,857	674	1,069	1,804
$ 256	425	590	169	433	1,032	175	313	1,063
23	44	97	18	51	97	10	16	25
4	13	113	6	28	186	1	18	182
22	38	84	22	51	124	9	29	124
187	847	1,628	164	728	3,166	308	631	1,031
17	90	165	15	84	329	••	38	••
108	188	406	56	141	546	67	106	322
$ 78	$ 620	$ 1,143	$ 105	$ 309	$ 884	$ 246	$ 486	$ 665

Exhibit A-22
Food Only
Statement of Income and Expenses—Ratio to Total Sales

	Years in Business								
	Under 5 Years			5 to 10 Years			Over 10 Years		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Total Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total Cost of Sales	30.1	31.9	36.3	31.3	35.3	37.7	31.6	35.6	39.8
Gross Profit	63.7	68.1	69.9	62.3	64.7	68.7	60.2	64.4	68.4
Other Income	**	**	**	N	0.2	0.7	0.2	0.7	1.0
Total Income	63.7	68.1	69.9	62.3	64.7	68.8	60.2	64.5	68.8
Controllable Expenses									
Payroll	19.4	22.0	26.4	20.9	25.7	27.9	22.0	26.4	31.8
Employee Benefits	0.4	0.5	3.1	0.7	3.0	6.0	1.8	5.0	6.2
Direct Operating Expenses	2.5	3.5	5.5	3.0	4.0	5.7	2.6	3.7	5.0
Music & Entertainment	**	**	**	**	**	**	0.1	0.1	0.5
Advertising & Promotion	2.3	3.9	4.7	1.9	2.7	5.0	1.0	2.4	3.2
Utilities	2.4	3.2	4.7	2.7	3.7	4.8	3.4	4.1	5.6
Administrative & General	2.0	7.3	13.1	2.2	4.0	6.1	2.3	4.4	6.3
Repairs & Maintenance	1.0	2.0	2.8	1.3	2.0	2.8	1.5	2.1	3.1
Total Controllable Expenses	39.6	46.5	50.2	37.6	44.3	50.8	38.2	46.4	53.8
Income Before Occupation Costs	15.7	21.2	28.3	11.8	21.1	26.9	11.8	17.8	27.1
Occupation Costs									
Rent	4.7	6.2	8.4	4.3	5.5	8.2	3.1	5.0	6.4
Property Taxes	0.3	0.5	0.8	0.4	0.6	1.0	0.4	0.6	1.3
Other Taxes	N	N	0.7	0.1	1.1	5.3	0.2	0.6	2.2
Property Insurance	0.5	0.7	1.1	0.3	0.5	0.8	0.3	0.5	1.1
Income Before Interest & Depreciation	7.9	11.8	21.7	4.3	12.2	21.4	6.0	10.9	18.8
Interest	0.5	1.4	3.3	0.4	0.4	1.7	0.3	0.9	2.2
Depreciation	2.1	3.1	5.3	1.7	2.4	4.5	1.2	2.2	3.1
Restaurant Profit	(4.1)%	5.7%	18.8%	1.0%	9.1%	16.7%	3.2%	6.9%	12.2%

N — Negligible
** Insufficient response

Location								
Urban			Suburban			Rural		
Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
31.2	35.5	37.2	30.5	32.2	36.8	31.4	35.0	36.3
62.8	64.5	68.8	63.2	67.8	69.5	63.7	65.0	68.6
N	0.2	0.8	0.1	0.5	1.0	**	0.3	**
62.8	64.5	68.9	63.2	67.8	69.9	63.7	66.1	68.8
21.5	25.7	29.8	17.9	23.1	30.1	22.2	25.1	29.0
0.7	4.9	6.1	0.5	1.9	4.8	0.3	0.5	1.4
2.8	3.8	4.8	2.5	3.4	6.1	2.2	4.4	6.5
**	**	**	0.1	0.1	0.3	**	**	**
2.2	2.4	4.0	0.8	3.2	4.7	0.7	1.4	3.8
3.1	3.9	4.8	2.8	3.8	5.7	2.8	3.7	4.1
2.2	6.0	6.6	1.6	3.8	7.3	1.8	3.8	14.1
1.7	2.2	3.1	0.9	1.8	2.6	1.0	1.7	3.6
40.0	48.8	53.5	35.8	41.7	51.2	40.9	46.0	47.5
10.9	16.5	23.8	13.4	25.3	29.6	17.2	20.7	26.3
4.1	5.3	6.6	3.6	5.4	8.0	3.5	5.0	8.3
0.4	0.7	1.0	0.4	0.6	1.3	0.2	0.3	0.5
N	0.5	2.2	0.1	0.3	2.2	N	0.2	3.5
0.3	0.6	0.8	0.3	0.6	1.3	0.3	0.4	1.0
4.7	10.1	18.0	7.5	16.2	22.3	7.6	15.7	18.8
0.4	1.1	2.6	0.1	0.8	4.0	0.3	1.0	2.0
1.7	2.4	3.9	1.4	2.5	4.0	1.1	2.7	3.8
0.9%	7.0%	12.0%	3.0%	7.4%	17.0%	6.3%	7.4%	14.0%

Exhibit A-23
Food Only
Statement of Income and Expenses—Amount Per Seat

	Affiliation								
	Single Unit Independent			Multi-Unit Company Operated			Multi-Unit Franchisee Operated		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Total Sales	$2,993	$4,719	$8,010	$4,669	$7,921	$10,818	$4,118	$8,008	$20,006
Total Cost of Sales	1,056	1,964	3,158	1,503	2,923	3,700	1,325	2,764	6,666
Gross Profit	1,766	2,535	4,990	3,187	4,979	6,853	2,798	4,927	13,539
Other Income	5	26	59	**	**	**	(7)	6	34
Total Income	1,766	2,535	5,005	3,187	4,979	6,853	2,674	4,927	13,539
Controllable Expenses									
Payroll	811	1,528	2,350	1,198	2,308	2,675	1,072	1,866	3,392
Employee Benefits	23	103	201	54	415	583	33	143	232
Direct Operating Expenses	116	219	337	152	298	400	104	171	440
Music & Entertainment	2	8	27	**	**	**	**	**	**
Advertising & Promotion	22	40	89	68	225	311	152	279	1,015
Utilities	149	232	326	220	305	382	204	333	694
Administrative & General	36	233	622	139	499	647	80	296	2,113
Repairs & Maintenance	52	90	167	107	186	257	113	183	542
Total Controllable Expenses	1,382	2,212	3,826	1,954	3,964	5,033	2,140	3,595	8,499
Income Before Occupation Costs	207	652	1,894	677	1,243	2,100	710	1,536	5,499
Occupation Costs									
Rent	115	248	505	273	464	657	246	495	1,009
Property Taxes	10	16	32	27	36	57	17	54	150
Other Taxes	10	24	208	**	**	**	2	4	64
Property Insurance	18	49	74	13	25	57	23	54	180
Income Before Interest & Depreciation	34	362	1,114	185	808	1,543	359	972	4,397
Interest	12	38	181	19	102	156	**	**	**
Depreciation	36	76	208	99	172	264	111	312	817
Restaurant Profit	$ 19	$ 233	$ 783	$ 205	$ 620	$ 1,145	$ 74	$ 447	$ 945

**Insufficient response

Sales Volume ($000)								
Under $450			$450 to $899			$900 and Over		
Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
$2,700	$3,491	$5,398	$5,248	$6,825	$13,912	$7,215	$9,993	$14,616
993	1,366	2,336	1,826	2,482	5,065	2,538	3,601	5,239
1,641	2,453	3,687	3,132	4,622	9,360	4,468	6,306	9,303
1	9	28	4	33	61	6	25	95
1,635	2,458	3,689	3,135	4,636	9,399	4,511	6,306	9,303
795	1,043	1,419	1,600	2,052	2,691	2,031	2,534	3,425
18	33	147	66	201	419	141	274	584
90	147	221	154	237	600	238	324	469
2	7	228	**	**	**	1	2	3
51	142	326	45	193	557	78	240	344
127	220	284	256	295	459	284	343	596
68	108	221	70	284	676	297	626	1,183
44	107	175	70	160	289	131	207	382
1,348	1,937	2,507	2,354	3,679	4,854	3,532	4,876	7,769
303	663	1,403	737	1,488	3,382	892	1,638	3,404
168	268	480	239	358	597	360	539	1,049
16	36	55	15	52	99	18	44	125
3	21	126	9	158	213	2	7	81
9	25	50	31	55	84	23	51	237
(36)	362	1,045	205	772	2,602	576	987	2,286
16	40	161	28	122	190	17	56	152
57	135	252	71	247	472	89	188	500
$ (115)	$ 242	$ 818	$ 145	$ 358	$ 1,297	$ 417	$ 620	$ 1,145

Exhibit A-24
Food Only
Statement of Income and Expenses—Ratio to Total Sales

	Affiliation								
	Single Unit Independent			Multi-Unit Company Operated			Multi-Unit Franchisee Operated		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Total Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total Cost of Sales	33.9	36.9	45.9	31.0	35.7	37.2	30.1	31.7	34.5
Gross Profit	54.1	63.1	66.1	62.8	64.3	69.0	65.5	68.3	69.9
Other Income	0.1	0.6	0.9	**	**	**	(0.1)	0.2	0.4
Total Income	54.2	63.6	66.1	62.8	64.3	69.1	66.1	68.4	70.0
Controllable Expenses									
Payroll	22.0	28.2	36.4	23.3	26.2	30.3	18.3	21.2	26.6
Employee Benefits	0.5	1.6	3.2	1.3	5.6	6.2	0.5	0.9	5.4
Direct Operating Expenses	2.2	4.4	6.5	3.0	3.6	4.2	2.1	3.1	5.5
Music & Entertainment	0.1	0.1	0.5	**	**	**	**	**	**
Advertising & Promotion	0.5	1.1	2.4	1.5	2.4	3.0	3.2	4.0	5.1
Utilities	3.1	4.1	5.5	3.1	3.9	4.6	2.7	3.6	5.0
Administrative & General	2.3	4.0	7.1	3.0	6.1	6.4	1.5	3.8	12.2
Repairs & Maintenance	0.9	1.5	2.4	1.9	2.2	2.9	1.6	2.5	3.2
Total Controllable Expenses	37.4	45.6	54.1	41.3	49.2	53.7	39.4	43.6	51.7
Income Before Occupation Costs	7.4	16.1	25.6	11.4	16.0	26.0	16.8	24.7	29.2
Occupation Costs									
Rent	2.2	4.1	8.2	4.0	5.3	6.6	4.1	5.4	7.0
Property Taxes	0.1	0.5	0.7	0.5	0.7	0.9	0.4	0.6	1.3
Other Taxes	0.3	0.5	3.0	**	**	**	N	0.1	0.6
Property Insurance	0.5	0.8	1.6	0.3	0.5	0.6	0.3	0.5	0.8
Income Before Interest & Depreciation	1.0	7.9	18.4	4.8	10.3	17.1	9.3	16.9	22.3
Interest	0.4	0.8	1.5	0.2	1.4	2.9	**	**	**
Depreciation	0.9	1.5	3.0	1.5	2.2	3.2	2.1	3.3	4.4
Restaurant Profit	0.6%	6.2%	12.2%	3.1%	6.8%	12.4%	5.1%	12.0%	18.3%

N — Negligible
** Insufficient response

Sales Volume ($000)								
Under $450			$450 to $899			$900 and Over		
Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
31.4	34.6	40.0	31.2	34.5	39.9	30.8	35.5	37.0
60.0	65.4	68.6	60.1	65.5	68.8	63.0	64.5	69.2
N	0.3	0.9	0.1	0.3	0.8	0.1	0.3	1.6
60.0	66.1	68.7	60.3	65.5	68.9	63.0	64.5	69.8
19.5	25.0	31.8	17.5	23.9	31.6	22.1	25.5	27.6
0.4	0.8	4.6	1.0	2.3	4.7	0.7	5.2	6.2
2.3	3.4	5.4	2.0	4.0	5.8	3.1	3.8	4.9
**	0.3	**	**	0.2	**	**	0.1	**
1.9	3.7	5.6	0.7	2.6	4.9	1.1	2.4	2.5
3.6	4.9	6.8	3.0	3.7	4.6	2.7	3.4	4.2
1.4	2.6	6.4	1.5	4.0	6.0	5.6	6.1	11.3
1.5	2.2	3.6	1.0	1.8	2.7	1.5	2.1	2.7
37.6	45.6	53.5	33.3	39.3	51.0	41.9	47.2	52.4
10.8	19.1	28.6	15.1	22.7	32.6	12.2	17.0	24.4
4.0	6.6	8.9	2.2	5.0	6.7	4.1	5.0	5.8
0.5	0.8	1.3	0.1	0.6	1.3	0.3	0.4	0.5
0.1	0.6	4.5	0.1	1.0	3.4	N	0.1	0.4
0.3	0.5	1.2	0.3	0.7	1.2	0.4	0.5	0.8
2.1	10.8	20.7	7.6	14.3	23.4	7.2	11.2	18.9
0.3	1.0	3.4	0.4	1.1	2.7	0.2	0.9	1.9
2.0	3.0	5.6	1.4	2.8	4.7	1.3	2.1	3.1
13.7%	7.0%	15.9%	3.1%	7.7%	14.4%	4.8%	7.0%	11.1%

Exhibit A-25
Food Only
Statement of Income and Expenses—Amount Per Seat

	Region					
	Northeast			North Central		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Total Sales	$2,092	$4,357	$8,326	$2,978	$5,508	$8,850
Total Cost of Sales	1,083	2,299	4,696	1,056	1,636	2,807
Gross Profit	1,188	2,809	5,143	1,937	3,872	5,837
Other Income	**	**	**	(4)	1	43
Total Income	1,217	2,813	5,159	1,938	3,872	5,837
Controllable Expenses						
Payroll	**	1,420	**	822	1,372	2,653
Employee Benefits	**	**	**	34	103	241
Direct Operating Expenses	**	**	**	139	210	838
Music & Entertainment	**	**	**	**	**	**
Advertising & Promotion	**	87	**	46	66	227
Utilities	**	307	**	137	228	328
Administrative & General	**	**	**	84	173	271
Repairs & Maintenance	**	112	**	40	66	125
Total Controllable Expenses	1,012	2,285	3,479	1,340	2,451	4,023
Income Before Occupation Costs	$ 160	721	$2,367	572	1,131	2,228
Occupation Costs						
Rent	**	136	**	248	495	589
Property Taxes	**	**	**	31	51	72
Other Taxes	**	**	**	11	195	357
Property Insurance	**	65	**	9	24	53
Income Before Interest & Depreciation	**	715	**	187	511	1,243
Interest	**	**	**	**	56	**
Depreciation	**	169	**	57	94	228
Restaurant Profit	**	$ 336	**	$ (102)	$ 238	$ 902

**Insufficient response

Region					
South			West		
Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
$3,871	$5,434	$11,461	$6,076	$9,679	$12,470
1,398	1,844	3,717	2,478	3,594	4,580
2,442	3,626	8,026	3,080	6,164	8,302
7	20	71	2	27	64
2,442	3,630	8,026	3,082	6,164	8,352
1,009	1,515	2,767	1,657	2,446	2,936
19	85	220	201	500	663
124	175	282	202	308	420
1	2	4	**	**	**
45	191	637	83	235	312
183	268	516	271	340	445
81	240	2,882	290	592	694
75	147	466	160	205	285
1,722	2,699	5,008	2,974	4,616	5,402
739	1,320	3,151	478	1,320	2,380
230	471	1,054	274	422	556
17	38	94	15	46	198
2	5	79	8	41	163
19	40	140	30	50	79
348	740	2,087	117	841	1,630
13	44	165	17	59	152
71	165	740	101	188	293
$ 169	$ 581	$ 1,066	$ 224	$ 608	$ 1,145

Exhibit A-26
Food Only
Statement of Income and Expenses—Ratio to Total Sales

	Region					
	Northeast			North Central		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Total Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total Cost of Sales	34.8	42.2	48.4	31.3	33.5	37.1
Gross Profit	51.6	57.8	65.2	62.9	66.5	68.7
Other Income	**	**	**	(0.1)	0.2	1.0
Total Income	51.6	57.9	65.2	62.9	67.0	69.1
Controllable Expenses						
Payroll	17.9	28.2	34.4	17.9	26.6	36.1
Employee Benefits	**	**	**	0.6	1.3	3.5
Direct Operating Expenses	**	4.0	**	3.7	4.6	6.3
Music & Entertainment	**	**	**	**	**	**
Advertising & Promotion	**	1.2	**	1.1	2.3	3.5
Utilities	3.3	3.8	5.8	2.7	3.9	6.4
Administrative & General	**	1.6	**	1.4	3.5	7.1
Repairs & Maintenance	0.7	1.7	2.5	0.8	1.2	1.6
Total Controllable Expenses	27.9	46.0	51.3	36.9	42.3	53.8
Income Before Occupation Costs	6.0	16.1	19.3	12.5	24.8	34.7
Occupation Costs						
Rent	**	3.7	**	3.4	6.2	8.2
Property Taxes	**	**	**	0.5	0.9	1.7
Other Taxes	**	**	**	0.2	3.7	4.8
Property Insurance	**	1.3	**	0.3	0.3	0.7
Income Before Interest & Depreciation	(1.3)%	9.0	18.4%	6.6	11.8	23.0
Interest	**	**	**	0.2	0.7	3.0
Depreciation	**	2.7	**	1.4	2.2	3.3
Restaurant Profit	**	6.2%	**	0.4%	6.6%	17.2%

N — Negligible
**Insufficient response

Region					
South			West		
Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
30.0	31.9	37.0	32.3	36.1	37.5
63.0	68.1	70.0	62.5	63.9	67.7
0.2	0.3	1.5	0.1	0.4	0.8
63.0	68.1	70.0	62.5	63.9	67.7
19.7	23.2	28.2	22.9	25.7	28.7
0.3	0.5	3.1	3.2	6.0	6.3
2.1	3.2	5.4	3.0	3.6	4.4
N	0.1	0.1	**	**	**
1.1	3.8	5.2	2.3	2.4	3.1
2.5	3.7	5.1	3.1	3.9	4.7
1.8	5.0	11.8	4.0	6.1	6.4
1.6	2.4	3.2	1.8	2.1	3.1
38.5	44.1	51.4	38.9	48.3	53.7
16.6	22.5	27.3	10.9	15.5	25.7
4.4	5.4	8.4	3.1	5.0	6.1
0.3	0.5	0.8	0.4	0.8	1.4
N	0.1	0.7	0.1	0.5	4.4
0.3	0.6	0.9	0.3	0.6	1.1
7.4	15.8	19.6	4.9	9.6	18.5
0.4	1.0	3.4	0.3	0.9	1.5
1.5	2.9	4.0	1.3	2.2	4.0
3.8%	10.6%	14.9%	3.2%	6.5%	12.4%

Exhibit A-27
Food Only
Statement of Income and Expenses—Amount Per Seat

	Menu Theme								
	American			Hamburgers/Subs			Chicken		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Total Sales	$3,980	$5,242	$8,070	$3,458	$5,056	$9,781	$7,969	$19,432	$31,458
Total Cost of Sales	1,266	1,584	3,087	1,122	2,128	3,688	2,928	6,098	9,356
Gross Profit	2,383	3,415	5,379	2,318	3,066	6,513	4,845	13,343	22,207
Other Income	**	48	**	(3)	7	22	**	**	**
Total Income	2,383	3,489	5,402	2,314	3,070	6,535	4,845	13,343	22,207
Controllable Expenses									
Payroll	1,123	1,559	2,471	919	1,412	2,347	1,713	3,386	5,375
Employee Benefits	71	199	262	99	205	358	52	142	256
Direct Operating Expenses	136	219	517	90	172	363	165	237	600
Music & Entertainment	**	2	**	**	**	**	**	**	**
Advertising & Promotion	13	26	98	40	153	219	338	963	1,197
Utilities	172	237	309	225	300	352	280	614	766
Administrative & General	67	255	506	53	78	284	639	1,862	3,744
Repairs & Maintenance	67	86	127	70	119	183	195	518	694
Total Controllable Expenses	1,790	2,537	3,995	1,550	2,413	4,400	3,861	8,112	12,840
Income Before Occupation Costs	525	1,156	2,207	365	1,132	2,372	1,085	5,493	9,109
Occupation Costs									
Rent	130	260	600	210	361	515	267	839	1,380
Property Taxes	8	18	22	14	40	54	65	124	251
Other Taxes	**	**	**	**	21	**	2	13	125
Property Insurance	12	19	55	25	49	76	42	133	220
Income Before Interest & Depreciation	363	715	1,634	96	624	1,198	$ 608	$ 3,829	$ 6,884
Interest	**	**	**	**	**	**	**	**	**
Depreciation	54	84	140	75	135	252	**	**	**
Restaurant Profit	$ 237	$ 551	$ 682	$ (46)	$ 447	$ 933	**	**	**

**Insufficient number of restaurants reporting data

Exhibit A-28
Food Only
Statement of Income and Expenses—Ratio to Total Sales

	Menu Theme								
	American			Hamburgers/Subs			Chicken		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Total Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total Cost of Sales	30.6	33.6	37.4	29.8	33.1	39.9	30.1	31.6	32.8
Gross Profit	62.6	66.4	69.4	60.1	66.9	70.2	67.2	68.4	69.9
Other Income	0.1	0.8	1.4	N	0.1	0.4	**	**	**
Total Income	62.8	68.7	70.5	60.0	66.2	69.9	67.2	68.4	69.9
Controllable Expenses									
Payroll	25.9	30.5	36.6	21.4	27.4	32.9	16.1	19.4	21.5
Employee Benefits	0.8	3.3	5.0	1.3	4.8	6.1	0.5	0.6	1.3
Direct Operating Expenses	3.1	4.1	9.5	2.3	3.3	6.1	1.2	4.0	5.9
Music & Entertainment	**	0.1	**	**	**	**	**	**	**
Advertising & Promotion	0.3	0.9	1.3	0.6	2.4	4.4	3.9	4.1	5.7
Utilities	2.6	4.0	5.7	3.1	5.0	7.1	2.4	3.1	3.9
Administrative & General	1.2	4.4	6.0	1.1	2.2	4.5	4.1	11.8	15.3
Repairs & Maintenance	1.2	1.5	2.1	0.9	2.1	2.9	1.6	2.3	3.2
Total Controllable Expenses	40.1	46.0	54.0	36.2	46.0	53.8	37.3	41.7	48.5
Income Before Occupation Costs	12.9	21.5	28.7	13.2	17.9	26.1	18.1	26.4	29.8
Occupation Costs									
Rent	2.6	4.2	8.8	3.5	5.5	8.6	3.4	4.8	6.0
Property Taxes	0.1	0.4	0.6	0.4	0.6	1.3	0.4	0.6	1.3
Other Taxes	**	**	**	**	0.4	**	N	0.1	0.8
Property Insurance	0.2	0.5	0.8	0.3	0.5	0.8	0.3	0.5	1.0
Income Before Interest & Depreciation	6.6	12.0	19.1	4.8	10.9	20.9	10.3%	20.5%	25.9%
Interest	**	**	**	**	**	**	**	**	**
Depreciation	1.1	1.5	2.8	1.5	2.2	4.4	**	**	**
Restaurant Profit	3.9%	7.2%	11.8%	(1.0)%	7.9%	16.0%	**	**	**

**Insufficient number of restaurants reporting data
N — Negligible

SECTION B—FOOD AND BEVERAGE RESTAURANTS

Introduction

Restaurant operators from 48 states and Washington, D.C., participated in this section of the study. More than 500 food and beverage restaurants provided financial results and descriptive detail. L&H was able to analyze 485 of these returns. For 1985, these restaurants had total revenue exceeding $650 million, with beverage revenue accounting for more than $160 million.

This year's questionnaire requested additional information on where the restaurant was located. Respondents were asked whether their restaurant was located in a hotel, mall, office building or a free-standing site. In addition to these locations, many others were written in by the respondents. These included apartment buildings, marinas, athletic clubs and museums, to name just a few.

Profile of participants

This year's restaurant sample ranges in size from 500 square feet of space to more than 100,000. Some properties operate both a catering business and a restaurant, while others serve only dinner with a limited menu. Highlights and characteristics are provided in the accompanying boxes.

Exhibit B-1 details specific characteristics about this year's sample. More than 50 percent of our respondents are the sole occupant of their buildings. Also the majority of this sample are owned by private corporations and provide a full menu with tableservice. More than 60 percent of the restaurants operate at a profit before income tax, and most serve lunch and dinner only.

Highlights

- Food sales were $3,561 per seat while beverage sales accounted for $895 per seat.
- Median food and beverage costs were $1,638 per seat.
- The median check was $10.18 and the average daily seat turnover was 1.4.
- Restaurant profit was 5.0 percent in 1985.
- Total sales per full-time equivalent employee was $29,362 with a productivity index of 3.36.

Characteristics

- Nearly 50 percent of food and beverage operations are over 10 years old.
- Part of a privately owned corporation.
- Operated a single unit, nonaffiliated full menu tableservice restaurant at a profit.
- Had an average of 292 seats, with 80 percent of the restaurants having between 84 and 550 seats.
- Majority of restaurants were sole occupants of buildings with approximately 5,500 square feet of space.

Exhibit B-1

Composition of Participating Food and Beverage Restaurants

Years in Business:	Percentage of Respondents
Under 5 Years	24.9%
5 to 10 Years	27.7
Over 10 Years	47.0
Not Specified	0.4
Type of Restaurant:	
Full Menu—Tableservice	72.9%
Limited Menu—Tableservice	16.6
Limited Menu—No Tableservice	5.0
All Others	5.5
Not Specified	0.0
Region:†	
Northeast	14.5%
North Central	24.3
South	33.4
West	27.8
Location:	
Urban	38.9%
Suburban	42.9
Rural	17.4
Not Specified	0.8
Affiliation:	
Single Unit—Independent	49.3%
Multi-Unit—Company Operated	33.1
Multi-Unit—Franchisee Operated	14.5
Not Specified	3.1
Meals Served:	
Breakfast and Lunch Only	0.4%
Lunch and Dinner Only	61.8
Dinner Only	9.5
All Meals	26.3
Other	1.0
Not Specified	1.0

Profit Versus Loss:	Percentage of Respondents
Net Profit	62.1%
Net Loss	20.3
Not Specified	17.6
Lease Versus Own:	
Own Land and Building	35.8%
Lease Land and Building	50.3
Lease Land and Own Building	4.4
Own Land and Lease Building	0.4
Not Specified	9.1
Restaurant Located/Attached To:	
A Hotel	14.3%
A Shopping Ctr/Mall	9.3
An Office Building	5.4
Sole Occupant	57.8
Other	12.2
Not Specified	1.0
Ownership:	
Sole Proprietorship	10.4%
Partnership	10.1
Public Corporation	8.7
Private Corporation	70.2
Not Specified	0.6
Menu Theme:	
Steak/Seafood	28.4%
American	21.4
Continental*	11.0
Italian	4.6
Mexican	6.2
Sandwiches/Hamburgers**	5.6
All Others***	17.0
Not Specified	5.8
Sales Volume:	
Under $750,000	38.9%
$750,000 to $1,499,999	32.1
$1,500,000 and Over	29.0

*Includes French.
**Includes specialty sandwiches, salad bar, hamburgers, subs, deli.
***Includes chicken, oriental, pancake house, bakery, coffee shops, ice cream parlors, barbecue, and all others not listed.
†Regions
Northeast: CT, ME, MA, NH, NJ, PA, RI, VT.
North Central: IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, WI.
South: AL, DC, DE, FL, GA, KY, LA, MD, MS, OK, NC, SC, TN, TX, VA, WV.
West: AK, AZ, CA, CO, HI, ID, MT, NV, NM, OR, UT, WA, WY.

The restaurant industry dollar

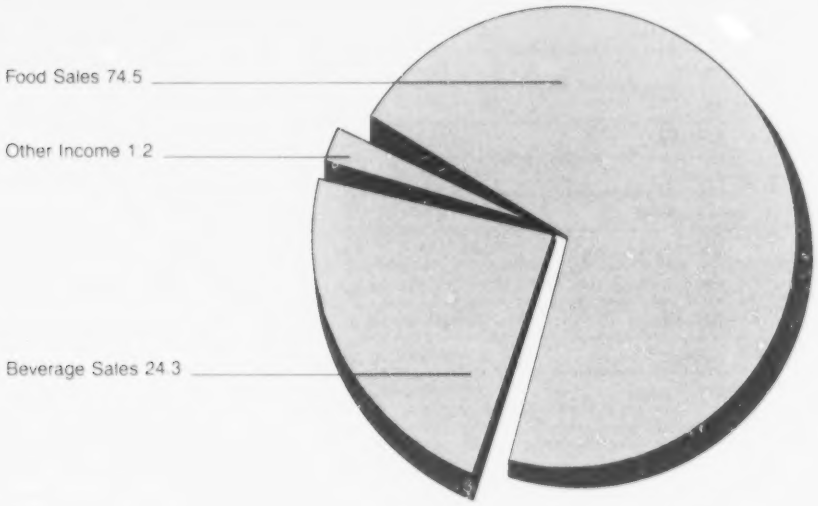
The source and distribution of revenue for food and beverage operations is presented in Chart B-1.

The two largest expenses restaurants faced in 1985 were the cost of food and payroll costs. Together these two expenses consumed more than 50 percent of the income produced. Other expenses that took up more than 5 percent of the revenue dollar are rent, with 6.6 percent; direct operating expenses, with 5.5 percent; and administrative and general with 5.2 percent. The direct operating expense category is comprised of uniforms, laundry and dry cleaning, linen rental, tableware and linen, kitchen utensils and kitchen fuel, supplies menus and drink lists. Other items found in this expense group are contract cleaning, flowers and decorations, auto or truck expenses, employee transportation, licenses and permits, and banquet expenses.

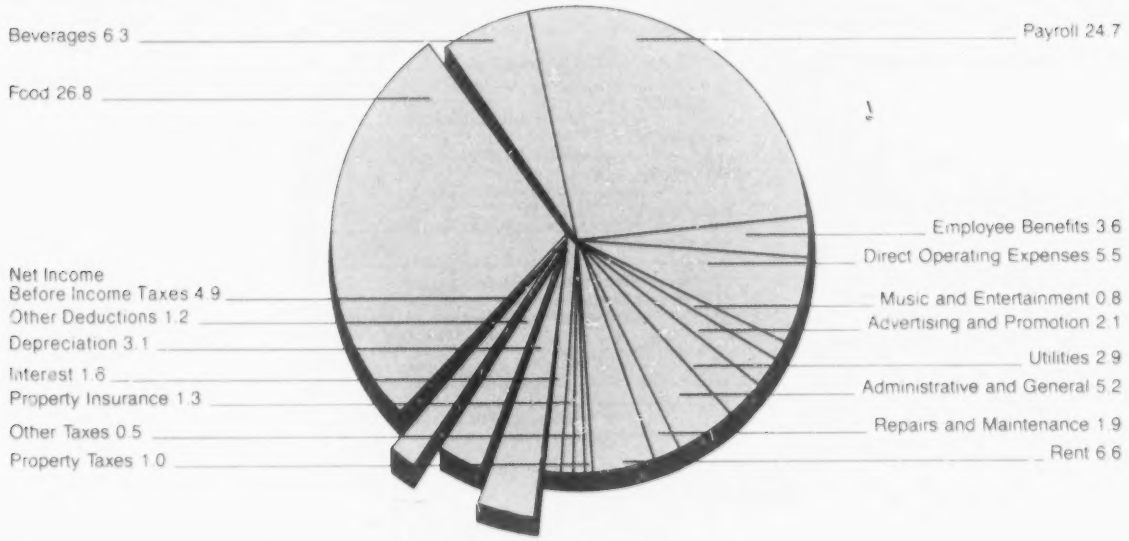
Administrative and general expenses, or overhead costs, are costs that are necessary to the operation of the business rather than those connected directly with the service and comfort of the customer. Such expenses include stationary, printing and supplies, postage, management fees, data processing costs, dues and subscriptions, traveling expenses, and commission on credit card charges. Other expenses in A&G are collection fees, cash shortages, claims and damages paid, professional fees, sales taxes, protective services and personnel expenses.

Chart B-1
The Restaurant Industry Dollar
Food and Beverage Restaurants

Where It Came From*



Where It Went



*All figures are weighted averages

Average check

Exhibit B-2 presents the average check for selected categories. The average check is computed by dividing total revenue by total customers served for the year. The average check in 1985 for respondents is $10.18, with half of the restaurants having average checks between $5.46 and $15.62.

The age of the restaurant seems to have little effect on the average check, but the building's location does appear to be a factor. Restaurants located in a mall or shopping center tend to have the lowest median average checks of $8.48 and also the highest median average seat turnover of 1.9 (Exhibit B-5). This is probably because many of the restaurants located in malls are oriented to serving busy patrons quickly rather than to providing a leisurely dining atmosphere.

Customers in the West generally pay more for a meal than any other region, with a median average check of $12.70. By comparison, the median check for the South Central region is $7.57.

Exhibit B-2
Food and Beverage
Average Check

	Lower Quartile	Median	Upper Quartile
All Restaurants	$5.46	$10.18	$15.62
Age			
Under 5 Years	$5.04	$10.03	$15.03
5 to 10 Years	6.43	9.96	16.65
Over 10 Years	5.32	10.29	15.89
Location			
Urban	$6.05	$11.76	$18.33
Suburban	6.40	10.39	14.19
Rural	3.00	7.22	14.81
Meals Served			
Breakfast & Lunch Only	**	**	**
Lunch & Dinner Only	$4.90	$9.81	$13.93
Dinner Only	14.15	18.50	23.64
All Meals	5.98	8.47	14.98
Menu Theme			
Steak/Seafood	$9.13	$12.68	$16.08
American	6.05	10.05	15.50
Continental***	10.33	18.66	26.46
Italian	4.24	7.09	11.77
Mexican	5.16	6.85	11.05
Sandwiches/ Hamburgers****	4.98	5.21	7.15
Region			
Northeast	$6.41	$12.35	$16.82
North Central	4.64	7.57	10.92
South	4.88	10.15	16.19
West	6.92	12.70	18.18
Restaurant Located In/ Attached To			
Hotel/Motel	$6.43	$11.17	$18.65
Mall/Shopping Ctr.	4.96	8.48	14.57
Office Building	10.32	13.63	18.47
Sole Occupant	4.98	9.89	14.97

**Insufficient number of restaurants reporting data.
***Continental includes French.
****Sandwiches/hamburgers includes specialty sandwiches, salad bar, hamburgers, subs and deli.

Average daily seat turnover

The number of customers that occupy a seat in any given day is the average daily seat turnover. In this study, seats refers to all seats in a restaurant: dining room, bar and banquet seats. This figure is computed by taking the number of customers for the year and dividing it by 365 to get the average number of customers served daily. This amount is then divided by the number of seats in the restaurant to get the average daily seat turnover. An analysis of responses to the 1985 food and beverage survey revealed a 1.4 average daily seat turnover.

The age of the property and the region seem to have little or no effect on this measure; however, menu theme is definitely a deciding factor. Customers tended to "dine" at a continental restaurant, with a median seat turnover of only 0.8, while "eat and run" is typical of the sandwiches/hamburger establishments, with a 2.6 daily average seat turnover. Further information on the daily seat turnover can be found in Exhibit B-3.

Net income differential

In this section, restaurants are classified into two groups: those reporting a net profit and those reporting a net loss. Exhibit B-4 summarizes and contrasts income and expenses for these two groups during 1985 in two forms: amounts per seat and ratios to total sales. The amount per seat for each respondent is computed by dividing the selected line item by the number of seats in the establishment. For example, if a restaurant reports total sales of $100,000 and 50 seats, its amount per seat for total sales would be $2,000. The ratios to total sales are calculated by dividing the amount by the total revenue for that restaurant. The ratios for food and beverage costs, however, are computed by dividing each of them by their respective sales.

Exhibit B-3
Food and Beverage
Average Daily Seat Turnover

	Lower Quartile	Median	Upper Quartile
All Restaurants	0.8	1.4	2.5
Age			
Under 5 Years	0.8	1.5	2.9
5 to 10 Years	0.9	1.4	2.6
Over 10 Years	0.8	1.4	2.2
Location			
Urban	0.8	1.3	2.2
Suburban	0.9	1.5	2.5
Rural	0.5	1.7	3.1
Meals Served			
Breakfast & Lunch Only	**	**	**
Lunch & Dinner Only	1.0	1.7	2.7
Dinner Only	0.5	0.8	1.2
All Meals	0.5	1.3	2.4
Menu Theme			
Steak/Seafood	0.8	1.2	1.8
American	0.9	1.4	2.1
Continental***	0.4	0.8	1.2
Italian	1.3	1.7	2.9
Mexican	1.6	2.0	3.2
Sandwiches/ Hamburgers****	1.9	2.6	4.2
Region			
Northeast	0.8	1.5	2.8
North Central	0.8	1.4	2.4
South	0.7	1.5	2.5
West	0.9	1.4	2.4
Type of Restaurant			
Full Menu — Tableservice	0.7	1.2	1.8
Limited Menu — Tableservice	1.5	2.3	3.3
Limited Menu — No Tableservice	0.8	3.8	6.4
Restaurant Located In/Attached To			
Hotel/Motel	0.4	0.7	1.1
Mall/Shopping Ctr	1.4	1.9	3.0
Office Building	0.6	1.0	1.7
Sole Occupant	1.0	1.6	2.4

**Insufficient number of restaurants reporting data.
***Continental includes French.
****Sandwiches/hamburgers includes specialty sandwiches, salad bar, hamburgers, subs and deli.

Exhibit B-4
Food and Beverage
Net Income Differential*

	Amount Per Seat					
	Net Profit			Net Loss		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Sales						
Food	$2,855	$4,712	$6,468	$2,353	$3,430	$4,665
Beverage	445	1,102	2,002	198	827	1,526
Total Sales	3,866	5,673	8,278	2,802	4,362	6,472
Cost of Sales						
Food	1,055	1,703	2,347	812	1,252	1,697
Beverage	126	255	539	52	214	475
Total Cost of Sales	1,348	2,037	2,891	972	1,427	2,109
Gross Profit	2,456	3,692	5,590	1,758	2,746	4,333
Other Income	22	43	84	16	39	64
Total Income	2,468	3,790	5,598	1,791	2,829	4,354
Controllable Expenses						
Payroll	938	1,387	2,063	738	1,243	2,059
Employee Benefits	48	187	341	42	158	334
Direct Operating Expenses	135	270	514	79	212	521
Music & Entertainment	8	23	102	4	11	70
Advertising & Promotion	61	113	222	59	133	200
Utilities	131	182	241	130	174	244
Administrative & General	84	180	360	80	165	355
Repairs & Maintenance	56	102	185	46	94	145
Total Controllable Expenses	1,615	2,665	3,987	1,415	2,267	3,804
Income Before Occupation Costs	645	1,072	1,687	222	445	711
Occupation Costs						
Rent	160	304	519	181	291	461
Property Taxes	12	28	48	14	31	65
Other Taxes	5	9	52	4	11	28
Property Insurance	23	46	71	15	42	70
Total Occupation Costs	169	339	571	182	350	531
Income Before Interest & Depreciation	337	661	1,188	(114)	84	293
Interest	27	70	134	49	93	180
Depreciation	94	152	226	109	171	283
Net Income Before Other Deductions	174	417	789	(347)	(121)	(3)
Other Additions & Deductions	29	271	420	76	190	244
Net Income (Loss) Before Income Taxes	$ 131	$ 297	$ 656	$ (378)	$ (189)	$ (48)
Other Data						
Average Receipt Per Cover	$ 5.19	$10.31	$15.53	$ 5.25	$10.29	$16.27
Average Daily Seat Turnover	0.9	1.6	3.2	0.8	1.2	2.2
Productivity Index	3.03	3.57	4.05	2.64	3.03	3.50

*All ratios are based as a percent of total sales except food and beverage costs which are based on their respective sales.

Ratio to Total Sales

Net Profit			Net Loss		
Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
69.9%	77.7%	87.5%	72.2%	79.1%	93.7%
12.5	22.3	30.1	6.3	20.9	27.8
100.0	100.0	100.0	100.0	100.0	100.0
33.3	37.0	41.1	35.0	37.3	40.7
21.9	26.4	30.1	23.3	28.4	30.0
31.3	34.5	37.4	32.9	36.1	38.4
62.2	65.2	68.3	61.7	64.1	67.7
0.3	0.7	1.7	0.3	1.2	1.8
63.1	66.0	69.0	61.9	65.2	68.6
22.0	25.0	29.6	26.0	28.9	32.5
1.2	3.5	5.0	1.0	3.6	6.7
3.2	5.1	7.2	3.7	5.5	8.0
0.2	0.6	1.7	0.1	0.4	1.7
1.3	2.3	3.4	1.8	2.9	4.5
2.4	3.2	3.9	3.1	4.0	5.5
1.8	3.5	5.1	3.1	4.2	6.1
1.3	1.8	2.5	1.4	2.0	3.1
40.7	47.1	52.1	49.2	56.0	60.2
13.1	19.1	26.6	5.1	10.3	16.7
2.9	5.7	7.3	3.8	6.2	8.8
0.3	0.5	0.8	0.4	0.7	1.5
0.1	0.2	0.8	0.1	0.3	0.8
0.4	0.8	1.3	0.5	0.9	1.5
3.5	6.2	9.2	5.0	8.0	10.4
6.9	11.4	18.0	(3.7)	2.1	7.9
0.5	1.2	2.3	1.2	1.8	3.7
1.5	2.6	3.8	2.5	3.8	5.7
3.5	7.6	13.7	(8.1)	(2.7)	(0.1)
0.6	6.0	8.6	1.7	5.2	8.6
2.9%	5.7%	10.1%	(9.8)%	(4.5)%	(1.2)%

Net profit operations have a median amount per seat for total sales of $5,673, which is more than $1,300 higher than the median for establishments with a net loss—$4,362. Total food and beverage costs per seat for net profit operations are $2,037 compared with $1,427 for those with a net loss. For net profit establishments, the median total cost of sales as a percent of revenue is 34.5, while the net loss median percentage is 1.6 percentage points higher at 36.1. Besides having less sales per seat, the net loss operations also have a higher ratio of food and beverage costs to total sales.

An analysis of controllable expense items expressed as amounts per seat reveals that net loss operations are able to keep their costs down when compared to the net profit group. Only the advertising and promotion cost was significantly higher than the corresponding expense for net profit operations. However, the median ratio to total sales for net loss operations' controllable expenses is 56 percent, compared with 47.1 percent for their profitable counterparts. Restaurants reporting a net loss before income taxes might want to take a closer look at this aspect of their operations.

Other important results, illustrated in Exhibit B-4, include the fact that profitable operations have a median amount per seat of $297 for net income before income taxes, or 5.7 percent of total sales. Average check does not appear to be a factor in profitability for the responding restaurants. The average for those reporting a profit was $10.31 versus $10.29 for those with a net loss. However, a difference was seen in both the average daily seat turnover (1.6 versus 1.2) and the productivity index (3.57 versus 3.03). (An explanation of the productivity index is provided in the text accompanying Exhibit B-8.)

Earnings ratio

Earnings ratios by various criteria are detailed in Exhibit B-5. The earnings ratio is calculated by dividing an operation's income or loss before income tax by total sales. For this year's food and beverage group, the median earnings ratio is 3.6 percent. Stated another way, 3.6 cents of every sales dollar is considered profit before income taxes are deducted.

Survey respondents located in office buildings have the lowest median earnings ratio, with a loss of 0.6 percent. At least half of the restaurants located in an office building report a net loss before income taxes. On the other hand, restaurants located in shopping malls report a high earnings ratio of 5 percent.

Cost of sales

The prime cost for a restaurant, which is the total of food and beverage costs and total payroll expenses, is depicted in Exhibit B-6. The median prime cost for restaurants in this category is 65.7 cents. The total payroll figure—salaries, wages and employee benefits—comprises 30.6 cents of every sales dollar.

Mexican restaurants have the lowest median total cost of sales, 29.4 cents, and also the lowest median total payroll cost, 26.6 cents. This results in Mexican restaurants having the lowest prime cost of only 55.4 cents. This along with other factors contributes to Mexican restaurants having the highest median net income before income taxes of 15.4 percent (Exhibit B-28).

Exhibit B-5
Food and Beverage
Earnings Ratio

	Lower Quartile	Median	Upper Quartile
All Restaurants	(0.1)%	3.6%	8.5%
Age			
Under 5 Years	(4.0)%	2.3%	6.8%
5 to 10 Years	1.0	3.7	7.9
Over 10 Years	0.3	4.3	9.9
Location			
Urban	(0.7)%	3.7%	8.6%
Suburban	0.4	4.0	10.2
Rural	0.1	2.8	7.8
Own Land & Building	0.4 %	3.4%	6.8%
Lease Land & Building	(0.6)%	3.6%	8.8%
Lease Land & Own Building	**	**	**
Own Land & Building Leased	**	**	**
Type of Restaurant			
Full Menu—Tableservice	(0.2)%	3.5%	8.0%
Limited Menu—Tableservice	(0.5)	3.7	8.4
Limited Menu—No Tableservice	N	5.5	8.2
Restaurant Located In/Attached To:			
Hotel/Motel	(4.9)%	2.2%	9.3%
Mall/Shopping Ctr	0.7	5.0	10.1
Office Building	(13.0)	(0.6)	4.0
Sole Occupant	0.3	3.6	7.9

N—Negligible
**Insufficient number of restaurants reporting data.

Total sales versus total cost of sales

The eight graphs in this section highlight total sales and the related total cost of sales as amounts per seat, by selected breakdowns. These graphs should make it easier to interpret the data. Also, references to other exhibits provide added insight to these results.

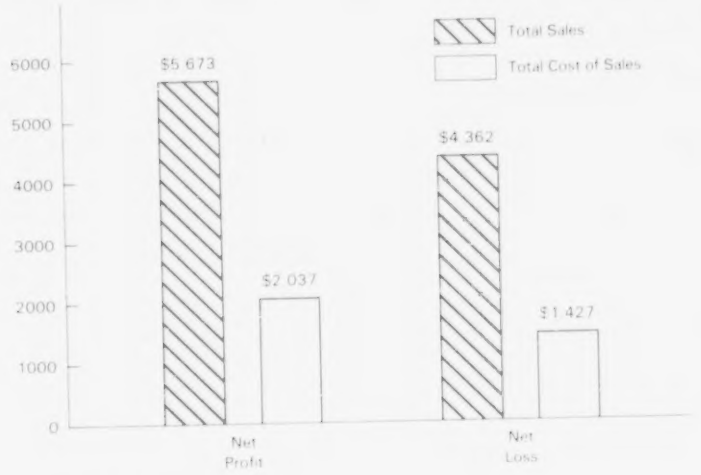
- Chart B-3 presents sales and costs for the various types of food and beverage restaurants. Limited menu—no tableservice operations have the highest total sales amounts per seat and also the highest related costs. This type of restaurant also has the lowest percentage of controllable expenses with 38.2 percent, which contributes to this group having the highest median net profit by type of establishment, with 13.1 percent (Exhibit B-20).
- For 1985, our sample shows that the youngest establishments, those open less than 5 years, have the highest sales per seat, at $5,003, but not the highest cost per seat. When comparing this information to the corresponding ratio to total sales exhibit (Exhibit B-22), operations under five years old have the highest gross profit percent of all age groups, with 65.6 percent of sales. The middle age group (five to ten years) shows the best restaurant profit as an amount per seat, with $247 (Exhibit B-21), and also as a ratio to total sales, with 5.8 percent (Exhibit B-22).
- Rural establishments in this year's sample have the lowest median sales with an amount per seat of only $3,267, but as a ratio to total sales, they have the highest restaurant profit of all locations, at 7 percent (Exhibit B-22).
- Restaurants operated as part of a multi-unit company show higher total sales amounts per seat than the other restaurants in this category. However, the multi-unit franchised operations have higher restaurant profits than the other types in terms of amount per seat and ratio to total sales, with $489 and 8.9 percent respectively (Exhibits B-25 and B-24).
- Restaurants in the West report higher costs per seat than the other regions. They also have a median profit of $443 per seat, the highest profit per seat by geographic area, while the Southern restaurants have the best median restaurant profit as a ratio to total sales of 7.2 percent (Exhibits B-25 and B-26).
- In Chart B-9, which provides comparisons by menu themes, restaurants with Italian fare achieve the highest median total sales amount per seat of $5,925. Mexican operations come in second and, as a result of keeping prime costs and controllable expenses down, generally have the best results in restaurant profit (Exhibit B-6 and Exhibit B-28).

Exhibit B-6
Food and Beverage
Cost Per Dollar of Sales*

	Food**	Beverages**	Total Cost of Sales	Total Payroll	Prime Cost
All Food & Beverage Restaurants	37.0¢	26.6¢	34.7¢	30.6¢	65.7¢
Location					
Urban	37.0¢	26.6¢	34.7¢	32.3¢	67.0¢
Suburban	37.0	25.1	33.6	30.4	65.4
Rural	37.7	30.0	36.2	26.8	61.8
Menu Theme					
Steak/Seafood	40.6¢	26.1¢	36.6¢	29.1¢	68.1¢
American	36.3	25.7	33.3	33.0	66.9
Continental***	37.1	29.4	35.2	31.9	67.7
Italian	35.0	28.9	34.3	29.3	62.8
Mexican	31.5	22.5	29.4	26.6	55.4
Sandwiches/Hamburgers****	32.4	25.8	30.8	29.8	61.0
Ownership					
Sole Proprietorship	37.1¢	30.0¢	35.1¢	32.3¢	68.4¢
Partnership	35.4	24.4	30.6	27.9	63.3
Public Corporation	36.0	26.5	34.1	36.1	70.6
Private Corporation	37.4	26.6	35.2	29.7	65.1
Profit Versus Loss					
Net Profit	37.0¢	26.4¢	34.5¢	28.1¢	63.3¢
Net Loss	37.3	28.4	36.1	33.7	68.5
Type of Restaurant					
Full Menu—Tableservice	37.5¢	25.9¢	34.2¢	31.9¢	66.9¢
Limited Menu—Tableservice	36.0	30.0	35.1	26.8	62.3
Limited Menu—No Tableservice	36.4	30.0	36.3	23.5	60.7
All Others	32.5	30.0	31.4	31.4	60.6

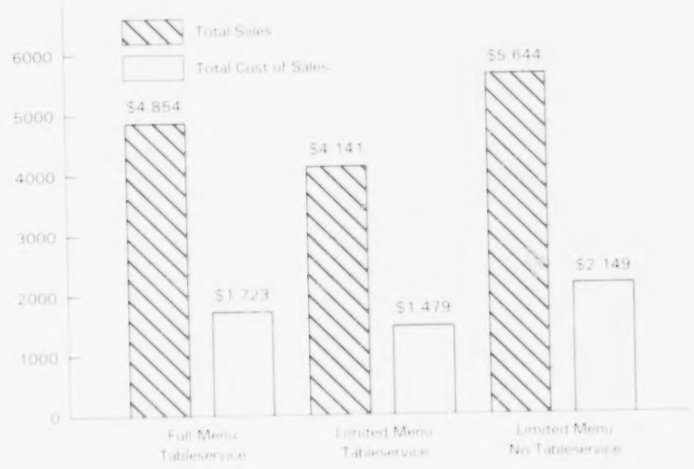
*All amounts are medians and do not necessarily add to totals shown.
**Based on individual department sales.
***Continental includes French.
****Sandwiches/hamburgers includes specialty sandwiches, salad bar, hamburgers, subs, deli.

Chart B-2
Amount Per Seat*
Food and Beverage
Total Sales vs. Total Cost of Sales—Net Profit or Loss



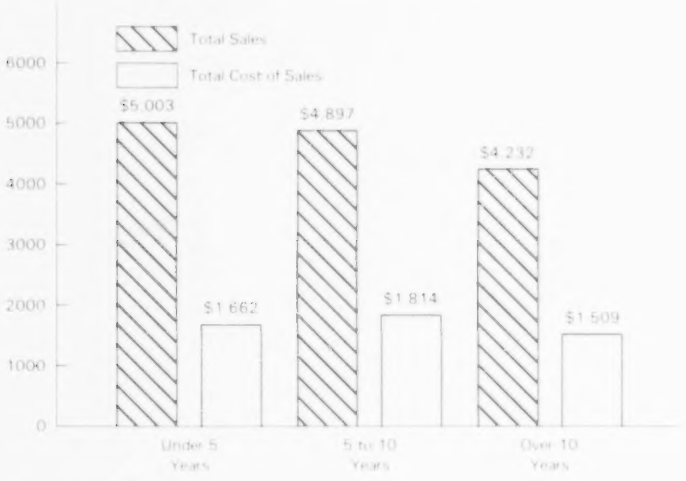
*All amounts are medians

Chart B-3
Amount Per Seat*
Food and Beverage
Total Sales vs. Total Cost of Sales—Type of Restaurant



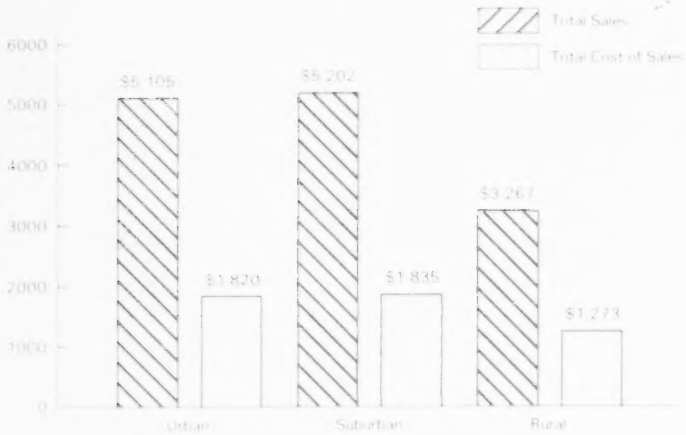
*All amounts are medians

Chart B-4
Amount Per Seat*
Food and Beverage
Total Sales vs. Total Cost of Sales—Years in Business



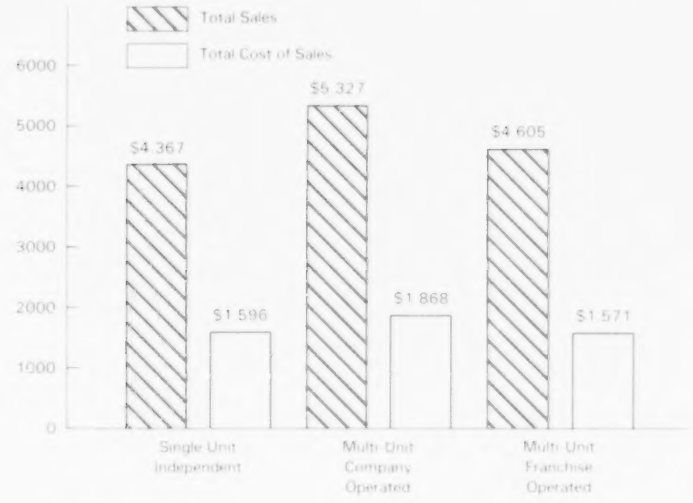
*All amounts are medians.

Chart B-5
Amount Per Seat*
Food and Beverage
Total Sales vs. Total Cost of Sales—Location



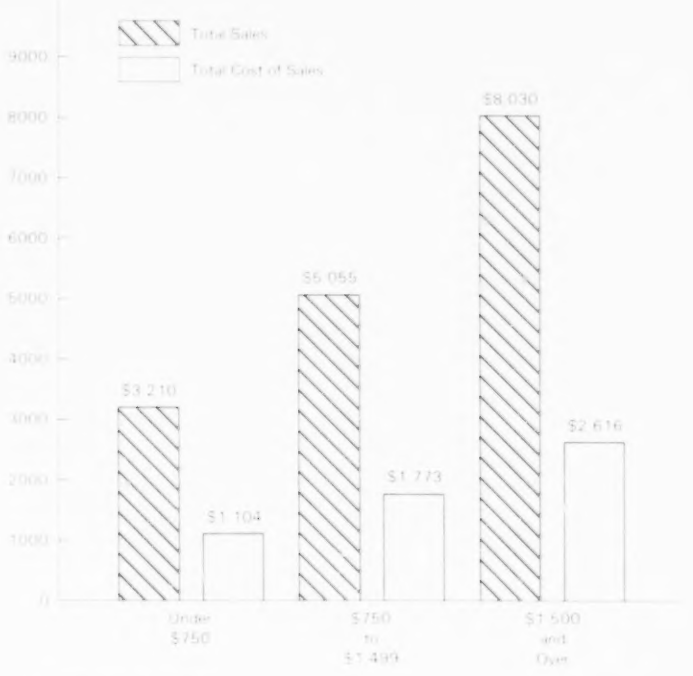
*All amounts are medians.

Chart B-6
Amount Per Seat*
Food and Beverage
Total Sales vs. Total Cost of Sales—Affiliation



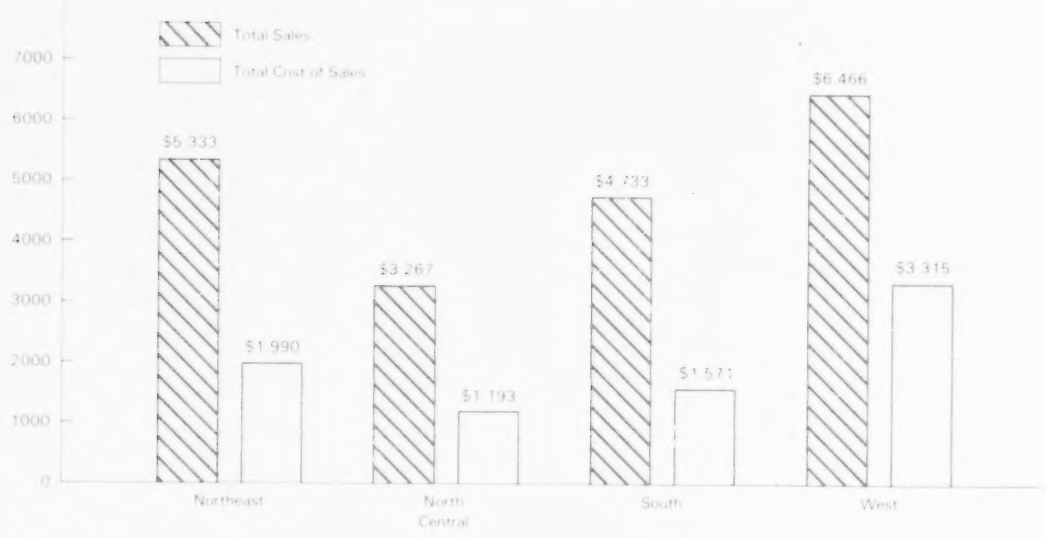
*All amounts are medians

Chart B-7
Amount Per Seat*
Food and Beverage
Total Sales vs. Total Cost of Sales—Sales Volume $(000)



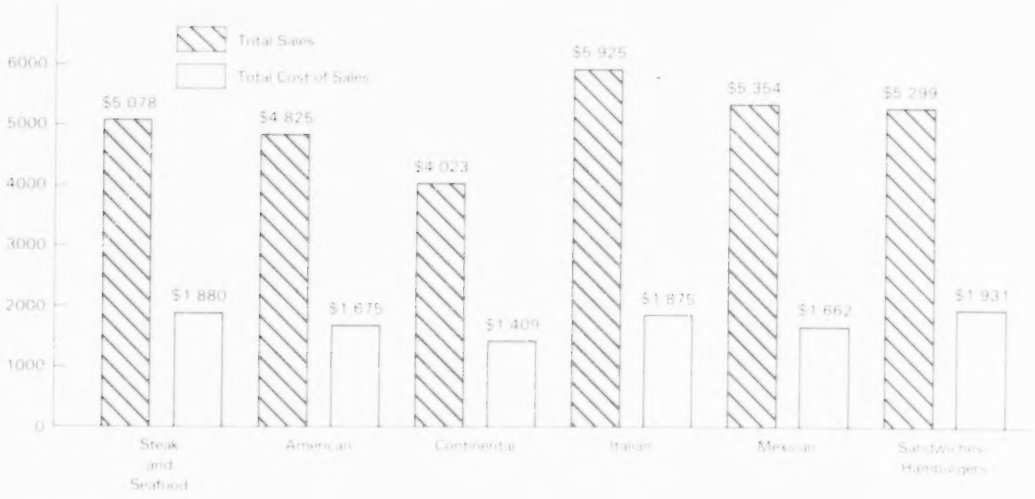
*All amounts are medians

Chart B-8
Amount Per Seat*
Food and Beverage
Total Sales vs. Total Cost of Sales—Region



*All amounts are medians

Chart B-9
Amount Per Seat*
Food and Beverage
Total Sales vs. Total Cost of Sales—Menu Theme



*All amounts are medians

Employee information

Exhibits B-7 and B-8 present various factors dealing with the number of employees. Exhibit B-7 provides information on different types of employees. Mexican restaurants have the highest median number of employees for each category, but their total payroll costs are the lowest, with only 26.6 cents of every dollar going to the employees (Exhibit B-6.) The employee benefits for this group are in line with the other menu themes, but wages and salaries as a proportion of total sales are the lowest of any menu theme; only 23.2 percent as a ratio to total sales (Exhibit B-28). Looking at another measure, total payroll per full-time equivalent employee at Mexican units is only $6,081 (Exhibit B-8).

Exhibit B-8 shows detailed information regarding full-time equivalent employees and the productivity index for the various categories listed. The productivity index is calculated by dividing a restaurant's total sales by its total payroll. By type of operation, limited menu—no tableservice restaurants have the highest median index with 4.07. This means that for every dollar paid to employees in limited menu—no tablesevice operations, $4.07 was received in food and beverage sales. By menu theme, Mexican restaurants come out on top with an index of 3.70.

Occupancy costs

The 1985 median amount per seat for rent is $285, with restaurant operations in the Western region having the highest median of $372 and those in the North Central region, the lowest with only $193. The Western operations also have the highest median taxes per seat, with $35 for property taxes and $15 for other taxes (personal property and municipal taxes).

Restaurants in rural areas report the lowest costs by location, and these median costs often are only half the costs urban restaurants encounter. (See Exhibit B-9.)

Exhibit B-7
Food and Beverage
Number of Employees*

	Number of Employees Per Restaurant		
	Full-Time	Part-Time (20 - 35 Hours)	Part-Part-Time (Under 20 Hours)
All Restaurants	15	16	10
Profit Versus Loss			
Net Profit	15	18	10
Net Loss	13	15	8
Location			
Urban	15	19	10
Suburban	17	20	10
Rural	7	7	6
Type of Restaurant			
Full Menu — Tableservice	19	20	10
Limited Menu — Tableservice	4	6	8
Limited Menu — No Tableservice	5	6	7
Menu Theme			
Steak/Seafood	17	20	10
American	16	20	10
Continental***	15	15	5
Italian	6	8	10
Mexican	30	26	10
Sandwiches/Hamburgers****	7	26	18

*All amounts are medians.
***Continental includes French.
****Sandwiches/hamburgers includes specialty sandwiches, salad bar, hamburgers, subs and deli.

Exhibit B-8
Food and Beverage
Employee Information*

	Full Time Equivalent Employees			Amount Per Full Time Equivalent Employee			
	Total	Per 100 Restaurant Seats	Per 100 Average Daily Covers	Total Sales	Total Payroll	Training Costs†	Index of Productivity
All Restaurants	32.5	15.6	12.4	$29,362	$9,000	$145	3.36
Profit Versus Loss							
Net Profit	33.8	17.8	12.2	$31,292	$8,995	$144	3.57
Net Loss	31.6	14.9	14.0	29,906	9,189	150	3.03
Location							
Urban	33.5	16.7	12.5	$30,139	$9,575	$145	3.24
Suburban	36.3	17.0	12.8	29,946	9,139	144	3.45
Rural	18.4	12.7	12.0	27,715	7,303	148	3.66
Type of Restaurant							
Full Menu — Tableservice	36.5	16.7	14.5	$28,908	$9,152	$133	3.25
Limited Menu — Tableservice	15.5	14.8	6.6	30,962	8,400	156	3.70
Limited Menu — No Tableservice	11.9	14.3	3.2	35,778	9,304	169	4.07
Menu Theme							
Steak/Seafood	35.0	15.2	14.2	$32,105	$9,488	$119	3.58
American	34.5	15.8	12.5	28,579	9,466	167	3.18
Continental***	29.0	14.9	21.7	27,520	9,150	97	3.17
Italian	17.6	19.5	10.3	27,465	8,712	177	3.47
Mexican	54.5	26.8	9.0	22,502	6,081	125	3.70
Sandwiches/Hamburgers****	50.3	20.9	7.7	27,063	8,001	156	3.39

*All amounts are medians.
***Continental includes French.
****Sandwiches/hamburgers includes specialty sandwiches; salad bar; hamburgers; subs and deli.
†These are estimated training costs for 1985. Estimates were made by individual restaurants.

Exhibit B-9
Food and Beverage
Occupancy Costs, Interest and Depreciation—Amount Per Seat*

		Type of Restaurant			Location			Region			
	Total	Full Menu Tableservice	Limited Menu Tableservice	Limited Menu No Tableservice	Urban	Suburban	Rural	Northeast	North Central	South	West
Rent	$285	$268	$297	$284	$284	$292	$244	$233	$193	$295	$372
Property Taxes	30	33	22	35	36	34	18	32	31	26	35
Other Taxes	12	16	10	20	16	11	8	6	13	13	15
Property Insurance	45	49	33	30	46	49	26	62	28	38	50
Interest	66	67	38	143	94	54	43	49	58	82	93
Depreciation	144	143	151	104	163	139	140	159	139	115	166

*All amounts are medians.

Special analysis

Again this year, we have included cross tabulations to isolate smaller, more defined segments of the food and beverage restaurant industry. Profit before occupation costs and restaurant profit for both amounts per seat and ratios to total sales are used for the following categories:

- Franchise versus organization.
- Location versus type of restaurant.
- Region versus menu theme.
- Sales volume versus age of operation.

To use Exhibits B-10 through B-17, select characteristics that best describe your restaurant (one column and one row) and locate the intersection. For example, urban restaurants with full menu—table-service have a median profit before occupation costs of $765 as an amount per seat, or 14.6 percent as a ratio to total sales. Compared to the other types of restaurants also located in urban areas, this group has the lowest median ratio to total sales.

Exhibit B-10
Food and Beverage
Cross Tabulation of Profit Before Occupation Costs
Amount Per Seat and Ratio to Total Sales*
By Franchise and Type of Organization

Amount Per Seat / Ratio to Total Sales		Organization: Single Unit	Organization: Multi-Unit	Total
Franchise	Franchisee	$288 / 13.9%	$1,092 / 26.2%	$995 / 24.8%
	Independent	$684 / 15.1%	$ 922 / 15.7%	$735 / 15.6%
	Total	$632 / 15.1%	$ 985 / 18.5%	$786 / 16.8%

*All amounts are medians.

Exhibit B-11
Food and Beverage
Cross Tabulation of Restaurant Profit
Amount Per Seat and Ratio to Total Sales*
By Franchise and Type of Organization

Amount Per Seat / Ratio to Total Sales		Organization: Single Unit	Organization: Multi-Unit	Total
Franchise	Franchisee	$ 39 / 2.2%	$439 / 8.9%	$343 / 8.8%
	Independent	$179 / 4.3%	$277 / 4.6%	$220 / 4.6%
	Total	$172 / 4.3%	$328 / 6.6%	$237 / 5.0%

*All amounts are medians.

Exhibit B-12
Food and Beverage
Cross Tabulation of Profit Before Occupation Costs
Amount Per Seat and Ratio to Total Sales*
By Location and Type of Restaurant

	Amount Per Seat / Ratio to Total Sales	Type of Restaurant			
		Full Menu Tableservice	Limited Menu Tableservice	Limited Menu No Tableservice	Total
Location	Urban	$765	$ 709	$ 979	$765
		14.6%	15.7%	16.4%	14.9%
	Suburban	$764	$1,156	$1,336	$918
		15.7%	25.7%	29.5%	17.5%
	Rural	$422	$ 835	$1,809	$644
		16.4%	23.6%	27.4%	19.8%
	Total	$721	$ 874	$1,133	$786
		15.1%	19.6%	26.9%	16.8%

*All amounts are medians

Exhibit B-13
Food and Beverage
Cross Tabulation of Restaurant Profit
Amount Per Seat and Ratio to Total Sales*
By Location and Type of Restaurant

	Amount Per Seat / Ratio to Total Sales	Type of Restaurant			
		Full Menu Tableservice	Limited Menu Tableservice	Limited Menu No Tableservice	Total
Location	Urban	$191	$206	$ 575	$208
		3.6%	3.7%	9.4%	3.8%
	Suburban	$230	$373	$1,029	$278
		4.5%	7.2%	17.3%	5.6%
	Rural	$118	$371	$ 789	$209
		3.2%	9.4%	14.1%	7.0%
	Total	$191	$284	$ 685	$237
		4.1%	7.6%	13.1%	5.0%

*All amounts are medians

Exhibit B-14
Food and Beverage
Cross Tabulation of Profit Before Occupation Costs
Amount Per Seat and Ratio to Total Sales*
By Region and Menu Theme

Region	Amount Per Seat / Ratio to Total Sales	Menu Theme***					
		Steak/ Seafood	American	Continental	Italian	Mexican	Total
	Northeast	$ 735	$1,023	$ 452	**	**	$ 736
		13.9%	13.0%	13.8%	**	**	13.3%
	North Central	$ 276	$ 251	$ 525	$ 560	$ 721	$ 485
		7.2%	12.6%	19.1%	6.9%	21.7%	15.2%
	South	$ 771	$ 758	$ 546	$1,288	$1,853	$ 762
		14.4%	20.1%	13.1%	33.7%	32.0%	19.2%
	West	$1,511	$1,081	$1,563	**	$1,741	$1,251
		19.6%	19.1%	18.7%	**	21.1%	19.2%
	Total	$ 734	$ 339	$ 566	$ 922	$1,092	$ 786
		15.1%	15.8%	14.3%	17.7%	17.3%	16.8%

*All amounts are medians
**Insufficient number of restaurants reporting data
***The other menu themes had insufficient responses in all categories

Exhibit B-15
Food and Beverage
Cross Tabulation of Restaurant Profit
Amount Per Seat and Ratio to Total Sales*
By Region and Menu Theme

Region	Amount Per Seat / Ratio to Total Sales	Menu Theme***					
		Steak Seafood	American	Continental	Italian	Mexican	Total
	Northeast	$222	$206	$ 92	**	**	$219
		4.6%	3.2%	3.3%	**	**	3.7%
	North Central	$ 11	$ 30	$ 62	N	**	$ 55
		0.3%	0.9%	4.3%	N	3.8%	2.3%
	South	$232	$237	$ 131	$760	$1,045	$268
		4.7%	6.6%	10.1%	8.5%	18.0%	7.2%
	West	$495	$358	$685	**	$ 394	$443
		6.7%	6.6%	6.3%	**	8.2%	6.6%
	Total	$219	$215	$138	$268	$ 336	$237
		4.3%	4.6%	4.4%	5.6%	5.9%	5.0%

*All amounts are medians
**Insufficient number of restaurants reporting data
***The other menu themes had insufficient responses in all categories
N — Negligible

Exhibit B-16
Food and Beverage
Cross Tabulation of Profit Before Occupation Costs
Amount Per Seat and Ratio to Total Sales*
By Sales Volume and Age of Operation

	Amount Per Seat / Ratio to Total Sales	Sales Volume			
		Under $750,000	$750,000 to $1,499,999	$1,500,000 & Over	Total
Age	Under 5 Years	$639	$1,233	$1,134	$870
		19.2%	18.4%	16.1%	17.6%
	5 to 10 Years	$728	$ 830	$1,335	$906
		18.1%	15.8%	18.7%	17.4%
	Over 10 Years	$476	$ 516	$1,139	$679
		17.4%	14.1%	15.0%	15.8%
	Total	$585	$ 798	$1,173	$786
		18.2%	15.9%	15.8%	16.8%

*All amounts are medians

Exhibit B-17
Food and Beverage
Cross Tabulation of Restaurant Profit
Amount Per Seat and Ratio To Total Sales*
By Sales Volume and Age of Operation

	Amount Per Seat / Ratio to Total Sales	Sales Volume			
		Under $750,000	$750,000 to $1,499,999	$1,500,000 & Over	Total
Age	Under 5 Years	$179	$194	$318	$204
		6.1%	3.8%	3.5%	4.1%
	5 to 10 Years	$221	$244	$558	$247
		5.6%	5.3%	7.9%	5.8%
	Over 10 Years	$130	$106	$334	$229
		5.8%	3.7%	4.9%	4.8%
	Total	$167	$178	$381	$237
		5.6%	4.0%	5.0%	5.0%

*All amounts are medians

Summary

The remaining 11 exhibits provide ratios to total sales and amounts per seat for income and expense items, categorized by type of restaurant, age, location, affiliation, sales volume, region and menu theme. This information is provided by lower quartile, median and upper quartile.

It is important to note that columns, such as the median one, cannot be totaled. There are two main reasons for this. First, not every restaurant provided information for every line item. Some of the responding restaurants provided total sales instead of giving sales for the food and beverage areas individually. Therefore, the sample size is different for the sales breakdowns and for total sales. Second, the median for food sales probably is from a different restaurant than the median beverage sales, and the median for total sales probably is the response of a third restaurant. Each line item is analyzed individually, so the median restaurant in one category may not be the median for another.

It is also important to note that when comparing your establishment to a selected income statement, factors such as the size of your restaurant and region of the country may predetermine several costs and expenses and will automatically make a figure differ from the median. For further information on medians, please refer to the "Understanding Medians" article on page 9.

Exhibit B-18
Food and Beverage
Statement of Income and Expenses—All Restaurants

	All Restaurants					
	Amount Per Seat			Ratio to Sales		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Sales						
Food	$2,166	$3,561	$5,527	70.2%	77.1%	86.2%
Beverage	374	895	1,821	13.8	22.9	29.8
Total Sales	2,898	4,687	7,571	100.0	100.0	100.0
Cost of Sales						
Food	806	1,384	2,044	33.6	37.0	41.0
Beverage	107	238	503	22.5	26.6	30.4
Total Cost of Sales	1,024	1,638	2,619	31.6	34.7	37.5
Gross Profit	1,820	3,054	4,840	61.7	64.9	68.2
Other Income	17	40	80	0.3	0.9	1.8
Total Income	1,889	3,101	4,871	62.7	65.9	69.3
Controllable Expenses						
Payroll	778	1,279	1,952	22.8	26.8	31.3
Employee Benefits	46	165	310	1.3	3.6	5.2
Direct Operating Expenses	129	239	460	3.8	5.0	7.4
Music & Entertainment	6	19	82	0.1	0.5	1.5
Advertising & Promotion	53	108	196	1.3	2.3	3.7
Utilities	122	178	241	2.6	3.4	4.5
Administrative & General	86	184	358	2.1	3.9	6.2
Repairs & Maintenance	50	92	159	1.3	1.9	2.7
Total Controllable Expenses	1,370	2,257	3,553	41.8	49.1	55.8
Income Before Occupation Costs	375	786	1,416	10.3	16.8	25.7
Occupation Costs						
Rent	155	285	487	3.2	5.6	7.8
Property Taxes	16	30	55	0.3	0.6	1.3
Other Taxes	5	12	42	0.1	0.2	1.0
Property Insurance	21	45	74	0.5	0.9	1.4
Income Before Interest & Depreciation	126	449	946	3.9	9.6	16.0
Interest	25	66	138	0.5	1.4	2.6
Depreciation	81	144	229	1.6	2.9	4.4
Restaurant Profit	$ 7	$ 237	$ 653	0.2%	5.0%	11.8%

Exhibit B-19
Food and Beverage
Statement of Income and Expenses—Amount Per Seat

	Type of Restaurant								
	Full Menu Tableservice			Limited Menu Tableservice			Limited Menu No Tableservice		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Sales									
Food	$2,049	$3,665	$5,603	$2,539	$3,453	$4,916	**	$3,651	**
Beverage	532	1,051	1,956	140	710	1,309	**	150	**
Total Sales	2,763	4,854	7,740	3,203	4,141	5,552	3,379	5,644	8,007
Cost of Sales									
Food	800	1,378	2,165	942	1,397	1,837	**	1,564	**
Beverage	144	268	538	42	196	439	**	37	**
Total Cost of Sales	993	1,723	2,688	1,071	1,479	2,158	1,176	2,149	2,797
Gross Profit	1,718	3,076	4,875	2,130	2,697	3,766	2,214	3,467	5,482
Other Income	13	39	83	26	47	80	**	19	**
Total Income	1,756	3,197	4,910	2,188	2,780	3,848	2,214	3,568	5,482
Controllable Expenses									
Payroll	812	1,309	2,180	763	1,079	1,591	884	1,423	1,919
Employee Benefits	68	186	316	18	57	230	**	35	**
Direct Operating Expenses	156	270	479	77	197	442	74	223	368
Music & Entertainment	6	21	90	7	19	54	**	10	**
Advertising & Promotion	49	103	185	62	112	168	47	144	310
Utilities	123	186	250	121	164	204	102	153	212
Administrative & General	84	207	391	115	169	267	**	211	**
Repairs & Maintenance	50	100	173	51	82	140	26	81	145
Total Controllable Expenses	1,376	2,335	3,818	1,351	1,825	2,770	1,351	2,358	3,153
Income Before Occupation Costs	338	721	1,295	477	874	1,421	811	1,133	2,238
Occupation Costs									
Rent	145	268	513	193	297	416	152	284	405
Property Taxes	16	33	61	14	22	41	18	35	148
Other Taxes	5	16	67	3	10	35	8	20	37
Property Insurance	27	49	78	9	33	68	8	30	97
Income Before Interest & Depreciation	115	404	832	124	488	1,027	507	704	1,586
Interest	27	67	138	6	38	148	**	143	**
Depreciation	82	143	243	66	151	225	45	104	171
Restaurant Profit	$ (23)	$ 191	$ 578	$ 27	$ 284	$ 617	$ 247	$ 685	$1,415

**Insufficient number of restaurants reporting data

Exhibit B-20
Food and Beverage
Statement of Income and Expenses— atio to Total Sales

	Type of Restaurant								
	Full Menu Tableservice			Limited Menu Tableservice			Limited Menu No Tableservice		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Sales									
Food	69.6%	75.2%	82.3%	74.0%	82.5%	95.9%	87.9%	95.8%	97.8%
Beverage	17.7	24.8	30.4	4.1	17.5	26.0	2.2	4.2	12.1
Total Sales	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of Sales									
Food	33.8	37.5	41.8	32.7	36.0	38.9	**	36.4	**
Beverage	22.2	25.9	30.4	24.2	30.0	30.1	**	30.0	**
Total Cost of Sales	31.2	34.2	37.9	32.7	35.1	37.2	32.5	36.3	38.2
Gross Profit	61.1	64.9	68.3	62.8	65.0	68.1	63.8	65.5	67.5
Other Income	0.3	0.8	1.9	0.5	1.1	2.0	0.1	0.4	1.5
Total Income	61.7	66.0	69.4	63.8	66.1	69.5	64.2	65.6	67.5
Controllable Expenses									
Payroll	23.5	27.6	32.0	22.7	25.5	30.1	20.5	23.2	26.0
Employee Benefits	2.0	3.8	5.5	0.5	1.9	4.4	0.4	1.5	4.3
Direct Operating Expenses	3.8	5.5	7.7	2.3	4.6	7.5	1.3	4.0	4.8
Music & Entertainment	0.1	0.6	1.8	0.2	0.4	1.0	0.1	0.2	0.7
Advertising & Promotion	1.2	2.2	3.5	1.5	2.4	3.9	0.7	3.4	5.6
Utilities	2.6	3.3	4.4	2.5	3.5	4.9	2.3	3.0	4.3
Administrative & General	2.3	3.9	7.0	3.1	4.1	5.5	2.0	3.9	6.1
Repairs & Maintenance	1.3	1.9	2.7	1.4	1.8	2.9	0.6	1.6	2.0
Total Controllable Expenses	43.0	49.8	56.9	38.7	46.3	53.0	33.3	38.2	46.7
Income Before Occupation Costs	9.0	15.1	22.2	13.9	19.6	28.1	16.5	26.9	29.5
Occupation Costs									
Rent	2.9	5.4	7.4	4.8	6.4	8.0	2.9	5.0	7.2
Property Taxes	0.3	0.7	1.4	0.3	0.5	0.9	0.5	0.8	2.0
Other Taxes	0.1	0.4	1.7	0.1	0.2	0.5	0.2	0.4	0.7
Property Insurance	0.6	1.0	1.5	0.3	0.6	1.3	0.4	1.3	1.5
Income Before Interest & Depreciation	3.1	8.3	14.4	4.3	11.5	19.2	12.4	17.7	25.9
Interest	0.6	1.5	2.8	0.2	1.0	2.3	1.1	2.1	2.5
Depreciation	1.8	2.9	4.3	1.5	3.3	5.0	1.2	1.6	3.8
Restaurant Profit	(0.7)%	4.1%	10.1%	0.5%	7.6%	13.1%	8.2%	13.1%	22.7%

**Insufficient response

Exhibit B-21
Food and Beverage
Statement of Income and Expenses—Amount Per Seat

	Years in Business								
	Under 5 Years			5 to 10 Years			Over 10 Years		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Sales									
Food	$1,985	$3,818	$6,184	$2,451	$3,813	$5,336	$1,871	$3,356	$5,511
Beverage	333	996	1,954	496	987	2,037	368	875	1,664
Total Sales	2,759	5,003	7,879	3,508	4,897	7,509	2,587	4,232	7,169
Cost of Sales									
Food	796	1,345	2,062	980	1,447	1,969	787	1,273	2,129
Beverage	99	239	540	145	264	581	101	231	438
Total Cost of Sales	951	1,662	2,636	1,254	1,814	2,589	958	1,509	2,619
Gross Profit	1,873	3,328	5,252	2,222	3,363	4,745	1,559	2,688	4,683
Other Income	11	33	66	9	27	77	22	47	93
Total Income	1,908	3,332	5,271	2,247	3,425	4,746	1,640	2,766	4,771
Controllable Expenses									
Payroll	832	1,334	2,150	908	1,279	1,854	721	1,224	1,862
Employee Benefits	52	177	283	54	165	310	38	126	376
Direct Operating Expenses	154	267	561	139	255	430	115	221	429
Music & Entertainment	6	15	72	7	24	124	6	19	80
Advertising & Promotion	69	118	233	60	109	171	43	106	182
Utilities	129	182	241	143	188	245	104	164	237
Administrative & General	84	185	340	110	207	330	63	164	365
Repairs & Maintenance	38	87	145	63	105	159	47	82	173
Total Controllable Expenses	1,321	2,266	3,813	1,724	2,397	3,372	1,239	2,162	3,562
Income Before Occupation Costs	394	870	1,595	498	906	1,359	352	679	1,292
Occupation Costs									
Rent	200	356	566	171	328	482	115	222	363
Property Taxes	17	29	52	18	38	74	12	30	50
Other Taxes	3	11	29	5	14	67	5	11	45
Property Insurance	22	47	69	16	47	74	22	44	77
Income Before Interest & Depreciation	119	446	1,046	114	487	984	141	443	896
Interest	61	115	200	20	56	115	17	50	111
Depreciation	94	166	289	85	147	220	68	131	215
Restaurant Profit	$ (76)	$ 204	$ 617	$ 19	$ 247	$ 755	$ 28	$ 229	$ 608

Location								
Urban			Suburban			Rural		
Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
$2,365	$3,868	$5,994	$1,985	$3,947	$5,649	$1,601	$2,934	$4,307
437	1,107	2,042	532	1,037	1,941	122	369	798
3,388	5,105	8,130	3,120	5,202	8,014	2,253	3,267	4,548
889	1,448	2,186	800	1,426	2,071	711	1,095	1,559
120	259	610	140	270	504	37	116	238
1,151	1,820	2,702	1,034	1,835	2,833	881	1,273	1,608
2,103	3,385	5,275	1,944	3,360	5,175	1,401	2,097	3,037
16	40	85	15	38	90	20	46	68
2,168	3,408	5,291	2,007	3,412	5,295	1,344	2,145	3,132
945	1,361	2,160	821	1,334	2,153	621	810	1,231
75	185	311	57	205	377	18	35	130
149	276	530	167	266	450	56	96	240
4	11	95	10	28	108	9	19	26
57	116	218	49	112	222	40	88	138
131	190	257	121	184	242	90	146	187
107	218	414	78	191	358	61	147	209
57	109	192	51	95	164	36	69	89
1,730	2,519	4,212	1,393	2,445	3,583	981	1,461	2,039
306	765	1,502	441	918	1,517	317	644	1,026
159	284	512	153	292	497	134	244	413
16	36	69	17	34	62	11	18	30
6	16	40	5	11	55	3	8	28
19	46	78	27	49	75	9	26	61
50	436	987	155	506	1,032	134	278	728
49	94	163	24	54	150	7	43	99
98	163	259	64	139	220	76	140	214
$ (85)	$ 208	$ 647	$ 32	$ 278	$ 744	$ 41	$ 209	$ 592

Exhibit B-22

Food and Beverage

Statement of Income and Expenses—Ratio to Total Sales

	Years in Business								
	Under 5 Years			5 to 10 Years			Over 10 Years		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Sales									
Food	69.4%	77.1%	88.2%	69.1%	75.2%	82.8%	71.2%	78.1%	87.3%
Beverage	11.8	22.9	30.6	17.2	24.8	30.9	12.7	21.9	28.8
Total Sales	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of Sales									
Food	32.5	36.0	40.0	34.3	37.4	40.9	34.0	37.5	41.9
Beverage	22.7	27.1	31.2	22.3	26.7	30.0	22.4	26.4	30.8
Total Cost of Sales	30.4	33.6	38.0	32.6	34.3	36.8	31.8	35.1	38.4
Gross Profit	62.2	65.6	69.4	62.2	65.1	67.4	60.9	64.4	68.0
Other Income	0.3	0.9	1.7	0.2	0.6	1.6	0.4	1.0	2.1
Total Income	63.5	66.8	70.0	63.1	66.1	68.8	61.7	65.5	69.1
Controllable Expenses									
Payroll	23.2	26.3	31.0	22.5	26.2	31.1	22.9	27.2	31.6
Employee Benefits	1.6	3.8	5.0	1.1	3.6	5.1	1.2	3.5	5.7
Direct Operating Expenses	3.7	5.7	8.4	3.4	4.8	7.1	3.1	5.0	7.3
Music & Entertainment	0.1	0.4	1.6	0.1	0.7	1.5	0.2	0.6	1.5
Advertising & Promotion	1.5	2.6	4.1	1.1	2.3	3.6	1.3	2.1	3.5
Utilities	2.6	3.3	4.4	2.8	3.6	4.8	2.5	3.2	4.3
Administrative & General	2.2	3.9	5.6	2.4	4.2	7.5	1.9	4.0	6.3
Repairs & Maintenance	1.1	1.5	2.3	1.5	1.9	2.8	1.3	2.0	2.8
Total Controllable Expenses	39.6	49.3	55.7	41.1	49.2	56.4	42.4	48.6	55.8
Income Before Occupation Costs	10.9	17.6	26.8	9.6	17.4	24.1	9.8	15.8	25.4
Occupation Costs									
Rent	4.8	6.6	8.9	3.4	5.8	8.9	2.3	4.9	6.7
Property Taxes	0.3	0.6	1.0	0.4	0.7	1.5	0.3	0.6	1.1
Other Taxes	0.1	0.2	0.5	0.1	0.2	1.0	0.1	0.3	1.2
Property Insurance	0.5	0.9	1.4	0.3	0.9	1.3	0.5	0.9	1.5
Income Before Interest & Depreciation	3.0	10.1	16.9	3.4	7.9	15.8	4.7	10.0	15.5
Interest	1.1	2.2	3.7	0.3	1.1	2.3	0.4	1.2	2.3
Depreciation	2.0	3.3	5.0	1.5	3.1	4.4	1.5	2.5	4.0
Restaurant Profit	11.2%	4.1%	13.3%	0.1%	5.8%	10.9%	0.6%	4.8%	11.9%

Location								
Urban			Suburban			Rural		
Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
69.9%	75.1%	82.9%	68.9%	76.5%	83.4%	74.0%	82.8%	97.2%
17.1	24.9	30.1	16.6	23.5	31.1	2.8	17.2	26.0
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
33.6	37.0	40.3	33.3	37.0	42.0	34.8	37.7	41.0
22.5	26.6	31.0	21.9	25.1	30.0	26.5	30.0	31.3
32.2	34.7	37.3	30.6	33.6	37.4	34.1	36.2	38.6
62.6	65.2	68.0	61.7	65.4	69.1	60.0	62.9	65.9
0.3	0.8	1.8	0.3	0.7	1.6	0.4	1.3	2.1
63.5	66.3	69.1	62.9	66.3	69.9	60.3	64.4	68.3
24.0	27.8	32.2	22.1	26.2	30.9	22.8	25.2	30.6
2.3	3.8	5.7	1.4	3.9	5.3	0.5	1.1	3.8
3.8	5.3	8.0	3.7	5.1	6.9	1.6	3.5	6.6
0.1	0.3	1.5	0.2	0.7	1.9	0.3	0.7	1.5
1.2	2.2	3.9	1.2	2.4	3.6	1.4	2.3	3.7
2.4	3.3	4.8	2.6	3.2	4.1	3.0	3.9	5.2
2.4	4.2	7.6	1.9	3.9	5.8	2.2	3.9	5.2
1.3	1.9	3.1	1.3	1.8	2.5	1.4	1.7	2.7
44.2	51.4	59.3	40.8	48.1	54.2	38.7	45.5	51.1
7.2	14.9	20.5	10.7	17.5	27.3	13.5	19.8	27.3
3.0	5.1	6.9	3.0	5.7	7.7	4.8	7.1	10.1
0.3	0.6	1.5	0.4	0.6	1.4	0.4	0.5	0.9
0.1	0.3	0.7	0.1	0.2	1.2	0.1	0.2	1.4
0.4	0.8	1.2	0.6	1.0	1.5	0.3	0.9	2.0
2.1	8.6	13.9	4.8	10.7	18.0	5.7	10.4	17.0
0.9	1.7	2.7	0.4	1.2	2.5	0.3	1.1	2.9
1.7	2.9	4.1	1.4	2.5	3.8	2.1	4.1	5.2
(1.8)%	3.8%	9.5%	0.7%	5.6%	13.6%	1.5%	7.0%	15.6%

Exhibit B-23
Food and Beverage
Statement of Income and Expenses—Amount Per Seat

	Affiliation								
	Single Unit Independent			Multi-Unit Company Operated			Multi-Unit Franchisee Operated		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Sales									
Food	$1,812	$3,262	$5,517	$2,433	$3,923	$5,757	$2,737	$4,114	$5,054
Beverage	485	955	1,769	627	1,102	2,143	97	193	1,372
Total Sales	2,673	4,367	7,252	3,215	5,327	8,088	2,860	4,605	6,873
Cost of Sales									
Food	730	1,333	2,043	865	1,542	2,220	1,004	1,386	1,682
Beverage	148	268	542	146	248	537	28	56	330
Total Cost of Sales	979	1,596	2,540	1,077	1,868	2,888	1,071	1,571	2,161
Gross Profit	1,589	2,847	4,641	2,200	3,469	5,353	1,875	3,064	4,705
Other Income	17	36	84	14	40	88	25	46	66
Total Income	1,672	2,946	4,704	2,206	3,554	5,407	1,946	3,139	4,793
Controllable Expenses									
Payroll	725	1,302	2,174	948	1,341	2,045	738	1,012	1,615
Employee Benefits	44	166	297	98	192	385	18	33	219
Direct Operating Expenses	133	264	468	176	274	514	55	120	297
Music & Entertainment	6	19	81	6	19	83	4	19	48
Advertising & Promotion	42	92	169	62	109	226	87	143	232
Utilities	101	169	240	146	195	260	137	171	220
Administrative & General	87	208	383	81	203	374	106	159	263
Repairs & Maintenance	40	81	145	74	115	195	46	81	133
Total Controllable Expenses	1,242	2,262	3,663	1,801	2,640	3,795	1,269	1,821	2,816
Income Before Occupation Costs	365	684	1,241	309	922	1,515	526	1,092	1,664
Occupation Costs									
Rent	140	237	390	178	330	520	194	347	529
Property Taxes	11	25	49	30	51	85	13	22	35
Other Taxes	6	18	79	5	10	30	2	8	20
Property Insurance	30	49	82	16	48	82	9	13	51
Income Before Interest & Depreciation	128	354	800	7	507	1,045	282	691	1,240
Interest	25	61	116	25	81	206	7	72	151
Depreciation	81	138	235	94	162	258	54	136	176
Restaurant Profit	$ 13	$ 179	$ 520	$ (111)	$ 277	$ 720	$ 100	$ 439	$ 802

Sales Volume ($000)								
Under $750			$750 to $1,499			$1,500 and Over		
Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
$1,422	$2,368	$3,439	$2,563	$3,881	$5,264	$3,683	$5,691	$7,952
143	386	827	615	1,126	1,745	1,007	1,852	3,255
1,982	3,210	4,402	3,544	5,055	7,026	5,322	8,030	11,433
548	925	1,384	988	1,426	1,862	1,425	2,078	2,902
42	107	231	177	285	502	229	431	793
718	1,104	1,662	1,280	1,773	2,619	1,819	2,616	3,887
1,278	2,090	2,974	2,151	3,320	4,497	3,412	5,170	7,416
11	33	69	13	38	75	22	44	100
1,316	2,114	3,069	2,163	3,342	4,497	3,587	5,233	7,500
560	831	1,250	1,000	1,290	1,866	1,388	1,862	2,883
19	56	160	59	170	270	165	305	571
66	138	268	150	233	428	233	391	731
5	10	28	5	12	65	14	52	142
31	70	132	49	110	192	99	177	271
86	140	189	129	185	241	170	216	301
68	147	234	87	203	326	101	250	707
30	53	98	65	100	148	94	164	257
1,004	1,484	2,212	1,749	2,337	3,253	2,514	3,803	5,251
241	585	989	373	798	1,386	636	1,173	2,083
114	200	338	180	316	512	192	355	626
10	20	46	17	33	58	24	41	64
3	9	39	5	12	55	5	17	42
9	25	46	29	53	78	43	59	92
55	291	636	108	410	841	405	782	1,516
10	48	119	28	71	129	34	86	206
51	118	179	82	143	243	110	177	283
$ (34)	$ 167	$ 536	$ (57)	$ 178	$ 569	$ 166	$ 381	$1,024

Exhibit B-24
Food and Beverage
Statement of Income and Expenses—Ratio to Total Sales

	Affiliation								
	Single Unit Independent			Multi-Unit Company Operated			Multi-Unit Franchisee Operated		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Sales									
Food	70.0%	75.9%	82.8%	69.4%	76.3%	82.4%	75.0%	92.6%	97.8%
Beverage	17.2	24.1	30.0	17.6	23.7	30.6	2.2	7.4	25.0
Total Sales	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of Sales									
Food	33.6	38.4	42.0	34.4	37.0	40.6	31.8	34.6	37.4
Beverage	23.5	27.9	33.6	21.1	25.2	28.4	23.0	30.0	30.0
Total Cost of Sales	31.7	35.4	38.6	32.3	34.3	37.1	30.4	34.1	36.9
Gross Profit	60.1	64.1	68.2	63.4	65.5	67.6	63.4	66.9	69.6
Other Income	0.3	0.8	2.0	0.3	0.8	1.6	0.5	1.2	1.8
Total Income	60.8	65.6	69.1	63.5	66.2	69.1	64.5	67.3	70.1
Controllable Expenses									
Payroll	24.5	28.4	31.7	22.5	26.3	32.0	21.8	23.6	26.0
Employee Benefits	1.1	3.8	5.6	2.6	4.0	5.9	0.5	1.0	4.0
Direct Operating Expenses	3.7	5.2	8.0	3.8	5.8	7.7	1.6	3.3	5.2
Music & Entertainment	0.1	0.6	1.5	0.1	0.4	1.5	0.1	0.5	0.9
Advertising & Promotion	1.1	2.0	3.1	1.2	2.2	3.7	2.4	3.3	5.1
Utilities	2.6	3.4	4.2	2.4	3.2	4.8	3.0	3.6	4.8
Administrative & General	2.3	4.0	6.1	2.0	3.8	7.6	3.6	4.0	4.5
Repairs & Maintenance	1.2	1.7	2.5	1.5	2.2	3.0	1.4	1.8	2.5
Total Controllable Expenses	42.4	49.4	56.0	43.0	50.2	58.1	37.3	42.5	51.4
Income Before Occupation Costs	9.6	15.1	22.5	7.3	15.7	23.2	16.8	26.2	29.2
Occupation Costs									
Rent	2.5	5.0	7.0	3.1	5.6	7.9	5.0	7.0	9.5
Property Taxes	0.3	0.5	1.1	0.4	0.8	1.8	0.4	0.5	0.8
Other Taxes	0.1	0.5	2.4	0.1	0.2	0.4	0.1	0.2	0.4
Property Insurance	0.7	1.1	1.7	0.4	0.8	1.3	0.2	0.4	1.0
Income Before Interest & Depreciation	3.8	8.8	14.8	1.6	8.5	15.5	8.8	15.4	21.1
Interest	0.6	1.4	2.5	0.4	1.8	3.8	0.3	1.3	2.5
Depreciation	1.7	2.7	4.0	1.8	3.1	4.7	1.2	3.1	4.7
Restaurant Profit	0.3%	4.3%	10.0%	(2.5)%	4.6%	10.6%	3.1%	8.9%	16.0%

Sales Volume ($000)								
Under $750			$750 to $1,499			$1,500 and Over		
Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
74.3%	82.3%	94.3%	69.4%	75.4%	82.5%	68.5%	74.1%	80.5%
5.7	17.7	25.7	17.5	24.6	30.6	19.5	25.9	31.5
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
34.1	37.0	40.1	33.9	37.4	41.5	33.1	36.6	41.6
25.7	30.0	33.7	22.7	26.4	31.0	20.6	23.6	27.9
32.8	35.6	38.2	31.2	34.3	37.8	30.8	33.5	36.5
60.8	64.3	67.3	60.9	64.4	68.2	63.6	66.7	69.6
0.4	1.2	2.0	0.2	0.7	1.8	0.3	0.7	1.5
61.7	65.1	68.6	61.2	65.5	69.4	63.9	67.0	70.4
22.8	26.5	31.9	23.3	28.1	31.7	22.5	25.8	30.4
0.6	2.3	4.7	1.9	3.7	5.1	3.0	4.1	6.3
2.2	4.6	6.8	3.7	5.1	7.5	3.7	5.7	8.0
0.2	0.5	1.1	0.1	0.3	1.2	0.1	1.0	2.2
1.5	2.3	4.0	1.2	2.4	4.0	1.3	2.2	3.2
3.0	3.9	5.6	2.7	3.5	4.5	2.1	2.7	3.4
2.6	4.1	5.7	2.4	4.0	6.1	1.7	3.8	7.7
1.2	1.7	2.6	1.4	2.0	2.7	1.3	1.9	2.9
39.[illegible]	47.3	53.3	43.2	49.7	56.0	42.4	49.8	56.0
11.0	18.2	27.5	9.0	15.9	22.2	10.6	15.8	25.5
3.4	5.8	7.9	3.7	6.0	8.3	2.8	4.9	7.0
0.4	0.7	1.4	0.3	0.7	1.4	0.3	0.5	1.0
0.1	0.4	1.4	0.1	0.2	1.1	0.1	0.2	0.5
0.3	1.0	1.6	0.6	1.0	1.5	0.5	0.8	1.1
2.6	10.6	17.5	3.0	7.7	14.0	5.4	10.0	16.2
0.3	1.5	3.1	0.7	1.4	2.5	0.5	1.2	2.3
1.6	3.3	5.4	2.0	3.1	4.4	1.4	2.3	3.6
(1.0)%	5.6%	14.0%	(1.2)%	4.6%	10.8%	2.0%	5.0%	11.0%

Exhibit B-25
Food and Beverage
Statement of Income and Expenses—Amount Per Seat

	Region					
	Northeast			North Central		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Sales						
Food	$2,093	$4,318	$6,386	$1,600	$2,649	$4,133
Beverage	798	1,234	2,609	268	670	1,063
Total Sales	3,217	5,333	8,534	2,117	3,267	4,866
Cost of Sales						
Food	803	1,542	2,702	716	1,047	1,592
Beverage	202	352	730	68	183	269
Total Cost of Sales	1,126	1,996	3,272	841	1,193	1,713
Gross Profit	1,817	3,361	5,644	1,405	2,142	3,037
Other Income	21	38	82	11	33	65
Total Income	1,948	3,421	5,644	1,455	2,160	3,169
Controllable Expenses						
Payroll	930	1,470	2,706	678	898	1,384
Employee Benefits	69	203	409	30	88	181
Direct Operating Expenses	179	279	624	73	170	291
Music & Entertainment	9	25	90	6	16	69
Advertising & Promotion	42	89	202	59	108	161
Utilities	128	198	262	107	146	191
Administrative & General	85	269	455	92	183	270
Repairs & Maintenance	41	89	192	48	80	117
Total Controllable Expenses	1,480	2,482	4,568	1,153	1,617	2,510
Income Before Occupation Costs	427	736	1,213	196	485	816
Occupation Costs						
Rent	158	233	408	124	193	308
Property Taxes	17	32	53	12	31	74
Other Taxes	4	6	50	2	13	98
Property Insurance	39	62	105	8	28	57
Income Before Interest & Depreciation	171	404	739	3	203	471
Interest	9	49	96	27	58	102
Depreciation	82	159	233	90	139	206
Restaurant Profit	$ 52	$ 219	$ 505	$ (97)	$ 55	$ 295

Region					
South			West		
Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
$2,288	$3,724	$5,141	$2,839	$4,629	$6,901
257	862	1,636	660	1,582	2,683
3,007	4,733	6,647	3,975	6,466	9,436
881	1,357	1,836	1,067	1,769	2,597
65	222	417	178	377	754
1,055	1,571	2,300	1,367	2,194	3,315
1,814	3,065	4,212	2,707	4,305	6,517
18	45	111	18	43	75
1,833	3,138	4,440	2,723	4,360	6,537
776	1,174	1,719	1,152	1,669	2,630
28	136	229	164	296	481
129	216	384	189	339	604
4	14	69		21	109
47	127	225	63	108	197
123	176	242	152	197	266
84	165	407	71	205	393
41	90	159	65	117	207
1,281	2,102	3,003	2,053	2,990	4,591
339	762	1,359	738	1,251	2,105
150	295	481	218	372	616
12	26	43	20	35	55
6	13	37	7	15	36
17	38	70	33	50	81
90	505	998	365	781	1,647
25	82	166	45	93	179
54	115	220	87	166	279
$ (35)	$ 268	$ 799	$ 125	$ 443	$1,030

Exhibit B-26

Food and Beverage

Statement of Income and Expenses—Ratio to Total Sales

	Region					
	Northeast			North Central		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Sales						
Food	60.4%	73.0%	80.0%	73.0%	79.2%	90.2%
Beverage	20.0	27.0	39.6	9.8	20.8	27.0
Total Sales	100.0	100.0	100.0	100.0	100.0	100.0
Cost of Sales						
Food	35.8	40.0	43.7	34.7	37.4	40.7
Beverage	21.8	26.0	31.3	24.4	26.7	30.0
Total Cost of Sales	33.3	35.4	37.8	32.1	34.7	37.9
Gross Profit	59.7	63.5	66.2	61.2	64.8	67.9
Other Income	0.3	0.7	1.9	0.4	0.8	1.8
Total Income	60.0	63.9	66.8	61.6	66.0	69.0
Controllable Expenses						
Payroll	24.9	27.5	30.6	24.1	28.3	32.9
Employee Benefits	1.2	3.7	5.4	1.0	3.0	4.6
Direct Operating Expenses	4.3	5.8	7.2	2.8	5.2	7.7
Music & Entertainment	0.2	0.6	1.4	0.2	1.0	2.2
Advertising & Promotion	0.9	1.8	2.9	1.9	3.2	4.2
Utilities	2.7	3.2	4.0	3.0	3.8	5.4
Administrative & General	2.3	3.8	7.1	3.3	5.0	7.6
Repairs & Maintenance	1.2	1.7	2.4	1.5	2.0	3.1
Total Controllable Expenses	44.7	50.6	55.9	44.1	51.8	58.3
Income Before Occupation Costs	10.5	13.0	16.5	5.7	15.2	22.4
Occupation Costs						
Rent	2.6	4.4	7.0	3.5	5.1	6.9
Property Taxes	0.4	0.7	1.1	0.4	0.9	2.1
Other Taxes	N	0.1	0.9	0.1	0.4	3.3
Property Insurance	0.7	1.1	1.7	0.3	0.7	1.5
Income Before Interest & Depreciation	4.8	6.9	11.1	0.2	7.2	13.2
Interest	0.2	0.8	2.2	0.7	1.5	2.4
Depreciation	1.5	2.6	4.0	2.4	3.6	5.1
Restaurant Profit	1.1%	3.7%	7.0%	(3.3)%	2.3%	8.6%

N—Negligible

Region					
South			West		
Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
71.4%	79.5%	89.4%	69.5%	74.2%	82.5%
10.6	20.5	28.6	17.5	25.8	30.5
100.0	100.0	100.0	100.0	100.0	100.0
33.3	36.3	39.9	32.4	36.1	40.8
22.3	26.4	30.8	21.7	27.1	31.0
31.1	35.1	38.1	30.4	33.6	36.3
61.9	65.0	68.5	63.6	65.6	69.5
0.3	1.1	2.3	0.3	0.6	1.4
63.0	66.5	69.5	63.6	66.6	70.1
22.6	25.2	31.3	21.6	27.0	30.9
0.7	3.4	4.8	3.1	4.5	6.8
3.4	4.5	7.3	3.3	5.4	7.8
0.1	0.4	1.2	0.2	0.5	1.6
1.3	2.6	4.0	1.2	1.6	2.8
2.7	3.7	4.8	2.2	2.9	3.7
2.4	4.0	6.2	1.5	3.5	5.2
1.2	2.0	3.0	1.3	1.7	2.4
39.1	48.0	56.8	40.6	47.4	52.5
9.8	19.2	27.4	14.2	19.2	26.7
3.3	6.0	9.0	3.3	6.0	7.9
0.3	0.6	0.9	0.2	0.5	0.9
0.2	0.4	1.0	0.1	0.2	0.5
0.5	1.0	1.4	0.5	0.8	1.1
3.0	12.1	18.6	5.7	11.4	19.0
0.5	1.7	3.7	6.4	1.7	2.5
1.4	2.5	4.3	1.4	2.7	4.0
(1.2)%	7.2%	14.3%	1.8%	6.6%	14.0%

Exhibit B-27

Food and Beverage

Statement of Income and Expenses—Amount Per Seat

	Menu Theme								
	Steak/Seafood			American			Continental		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Sales									
Food	$2,014	$3,629	$5,663	$1,893	$3,356	$5,997	$1,792	$3,043	$5,386
Beverage	468	985	1,783	483	880	2,334	830	1,115	1,906
Total Sales	3,023	5,078	8,026	2,673	4,825	7,879	2,648	4,023	7,496
Cost of Sales									
Food	870	1,420	2,347	667	1,259	2,179	752	1,170	1,842
Beverage	130	238	459	132	256	683	220	271	635
Total Cost of Sales	1,070	1,880	2,926	907	1,675	2,608	985	1,409	2,479
Gross Profit	1,719	3,243	5,122	1,748	3,138	5,109	1,676	2,582	5,157
Other Income	10	32	72	20	44	83	20	53	150
Total Income	1,838	3,344	5,122	1,748	3,164	5,109	1,741	2,695	5,309
Controllable Expenses									
Payroll	740	1,279	1,728	839	1,303	2,354	660	1,233	2,272
Employee Benefits	68	212	381	72	163	288	72	199	344
Direct Operating Expenses	172	267	455	131	231	395	123	296	553
Music & Entertainment	6	18	86	7	18	120	6	25	8
Advertising & Promotion	53	107	197	51	104	218	43	107	183
Utilities	130	187	243	128	198	268	79	157	238
Administrative & General	70	166	319	86	214	401	87	234	688
Repairs & Maintenance	65	103	184	51	105	208	39	70	130
Total Controllable Expenses	1,432	2,415	3,516	1,535	2,266	4,014	1,235	2,040	3,768
Income Before Occupation Costs	231	734	1,402	355	839	1,332	351	566	1,463
Occupation Costs									
Rent	111	267	523	142	244	398	200	356	488
Property Taxes	17	42	80	21	36	69	12	25	56
Other Taxes	7	17	52	3	11	35	4	20	67
Property Insurance	23	56	84	22	41	78	23	48	108
Income Before Interest & Depreciation	40	395	915	133	442	934	121	280	841
Interest	37	66	157	26	78	175	23	67	103
Depreciation	85	138	214	94	169	264	70	138	241
Restaurant Profit	$ (13)	$ 219	$ 568	$ 21	$ 215	$ 596	$ (44)	$ 138	$ 657

**Insufficient number of restaurants reporting data.

Menu Theme								
Italian			Mexican			Sandwiches/Hamburgers		
Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
$2,807	$4,702	$5,806	$2,963	$4,069	$4,792	$2,578	$5,087	$6,906
342	850	1,125	1,067	1,492	2,228	567	1,071	1,459
3,350	5,925	8,143	3,575	5,354	6,923	3,379	5,299	8,440
825	1,530	2,042	968	1,241	1,575	643	1,743	2,285
76	228	376	210	362	515	204	258	375
1,121	1,875	2,773	1,246	1,662	2,165	1,218	1,931	2,945
2,229	3,903	5,312	3,076	3,591	4,911	2,204	3,529	5,496
9	30	363	10	44	102	8	33	99
2,593	3,912	5,317	3,099	3,692	4,911	2,204	3,568	5,496
903	1,606	2,386	858	1,179	1,457	939	1,742	2,054
5	86	295	69	196	266	170	295	502
176	276	516	169	216	294	165	356	750
**	7	**	**	30	**	2	9	15
60	109	272	80	155	324	38	89	232
164	209	267	133	187	239	102	142	236
131	270	446	200	298	496	93	202	288
36	108	179	50	76	144	67	115	160
1,689	2,834	3,953	1,767	2,220	2,763	1,394	2,748	3,936
493	922	1,398	723	1,601	2,303	573	1,092	2,178
135	190	355	226	450	598	170	353	523
**	40	**	28	27	38	25	41	173
6	18	212	**	**	**	13	37	67
33	51	86	33	53	61	38	65	114
189	458	1,114	293	777	1,601	198	622	1,876
29	64	195	**	146	**	12	78	123
55	126	274	49	91	163	61	158	248
$ (42)	$ 268	$ 856	$ 221	$ 632	$1,493	$ 97	$ 336	$1,089

Exhibit B-28
Food and Beverage
Statement of Income and Expenses—Ratio to Total Sales

	Menu Theme								
	Steak/Seafood			American			Continental		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Sales									
Food	72.1%	78.8%	83.8%	68.3%	75.2%	82.3%	69.6%	74.1%	78.7%
Beverage	16.2	21.2	27.9	17.7	24.8	31.7	21.3	25.9	30.4
Total Sales	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of Sales									
Food	36.8	40.6	43.3	33.8	36.3	39.9	34.4	37.1	40.3
Beverage	22.6	26.1	30.7	22.7	25.7	30.3	22.6	29.4	34.8
Total Cost of Sales	34.3	36.6	39.7	31.7	33.3	36.1	31.3	35.2	38.3
Gross Profit	59.9	63.3	65.9	63.4	66.1	68.3	61.5	64.6	67.3
Other Income	0.2	0.7	1.6	0.4	0.8	1.9	0.3	1.0	3.7
Total Income	60.6	63.7	67.2	63.6	66.7	69.1	62.0	66.1	68.4
Controllable Expenses									
Payroll	20.9	25.1	30.6	24.7	29.8	34.9	26.1	28.7	32.3
Employee Benefits	2.2	3.9	5.4	2.1	3.9	5.9	2.3	4.4	6.8
Direct Operating Expenses	3.5	5.5	7.6	3.4	5.1	6.8	4.6	5.9	8.5
Music & Entertainment	0.1	0.5	1.7	0.2	0.5	1.6	1.6	0.7	1.5
Advertising & Promotion	1.2	2.1	3.6	1.4	2.5	3.6	1.1	2.2	3.6
Utilities	2.6	3.2	4.5	2.7	3.7	4.9	2.6	3.0	3.8
Administrative & General	1.4	3.5	5.5	2.6	4.5	7.6	2.5	5.3	8.2
Repairs & Maintenance	1.3	2.0	2.9	1.4	2.0	3.4	1.0	1.6	2.3
Total Controllable Expenses	40.5	48.6	55.1	44.1	50.7	58.2	44.9	50.4	56.0
Income Before Occupation Costs	7.3	15.1	21.1	9.7	15.8	22.2	11.4	14.3	20.4
Occupation Costs									
Rent	2.1	4.5	7.3	2.6	5.4	6.3	4.0	6.1	7.7
Property Taxes	0.4	0.8	1.5	0.3	0.7	1.9	0.2	0.6	1.2
Other Taxes	0.1	0.4	1.2	0.1	0.2	1.7	0.1	0.4	0.8
Property Insurance	0.7	1.0	1.7	0.4	0.8	1.4	0.4	0.9	2.0
Income Before Interest & Depreciation	2.3	7.6	13.9	4.1	9.5	15.8	3.7	7.0	12.6
Interest	0.8	1.4	2.6	0.4	1.8	4.9	7.3	1.5	2.0
Depreciation	1.8	2.8	4.0	2.1	2.9	4.7	1.7	3.1	4.7
Restaurant Profit	(0.5)%	4.3%	9.6%	0.4%	4.6%	10.7%	(1.6)%	4.4%	9.5%

**Insufficient number of restaurants reporting data

Menu Theme								
Italian			Mexican			Sandwiches/Hamburgers		
Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
77.8%	84.8%	92.4%	65.0%	69.5%	74.5%	69.6%	84.4%	90.3%
7.6	15.2	22.2	25.5	30.5	35.0	9.7	15.6	30.4
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
32.1	35.0	37.0	30.5	31.5	34.3	29.6	32.4	41.0
25.6	28.9	35.6	19.6	22.5	25.8	21.1	25.8	31.5
31.4	31.4	36.7	27.7	29.4	30.8	27.7	30.8	35.9
63.3	66.1	68.6	69.0	70.7	72.6	61.9	65.2	69.6
0.2	0.6	11.9	0.2	0.6	1.0	0.3	0.5	1.0
63.8	68.1	75.9	69.0	70.7	73.9	61.9	65.5	70.6
24.5	27.1	31.4	20.0	23.2	28.3	23.0	25.6	30.8
0.1	1.3	4.2	3.2	3.8	4.6	3.4	3.9	5.4
3.7	5.0	9.3	3.5	3.9	5.1	3.5	5.5	14.5
**	0.1	**	**	0.1	**	**	0.1	**
1.1	2.4	4.8	1.4	2.7	5.5	0.7	2.1	3.2
2.6	4.0	4.4	2.1	3.1	3.8	1.8	2.7	3.6
2.5	4.8	6.4	3.2	6.1	8.2	1.8	2.3	4.1
1.1	1.7	2.3	1.2	1.5	2.1	1.4	1.7	2.7
41.0	46.1	55.4	36.1	43.2	49.9	38.5	48.1	52.9
8.8	17.7	28.4	19.8	26.2	33.0	17.8	17.3	29.0
1.8	4.3	7.1	4.0	8.6	10.9	4.1	6.0	7.2
**	0.7	**	0.4	0.5	0.7	0.5	1.0	2.0
**	0.4	**	**	**	**	0.2	0.5	1.2
0.8	1.1	1.4	0.6	0.9	1.1	0.7	1.0	1.7
4.4	10.4	23.6	8.4	16.4	23.9	5.7	8.9	20.7
0.6	1.6	3.4	**	2.1	**	0.2	1.3	1.8
0.8	2.8	4.7	1.0	1.4	2.5	1.6	2.1	3.5
(0.4)%	5.6%	18.3%	3.0%	15.4%	21.2%	2.2%	5.9%	17.2%

COMMENTS FROM LAVENTHOL & HORWATH OFFICES AROUND THE COUNTRY

From Atlanta

The metropolitan Atlanta restaurant industry experienced positive results and expansion during 1985. The city in general witnessed another year of widespread hotel, restaurant, office, retail and residential development. Continued increases in area disposable income and the number of young professionals locating to the city complimented new development.

The northern suburbs continue to flourish and expand, opening new development opportunities for restaurateurs. Gwinnett County, the fastest growing county in the country, is located in the northeastern part of the metropolitan area and has a population exceeding 100,000. It has experienced a particularly dramatic amount of new restaurant development due to its rapidly expanding population base, tremendous amount of new office space and the popularity of Gwinnett Place Mall, which opened in February 1984. Cobb County, another rapidly growing county located in the northwestern sector of the metropolitan area, is expected to experience an additional burst of development activity when Town Center Mall, located in northern Cobb County, opens in early 1986.

Buckhead, particularly the Lenox Square area, continues to be a good location for restaurant and lounge operations. Many of Atlanta's more successful fine dining outlets—as well as several of the most popular high-energy lounge/entertainment operations—are located here. Development activity in the area is extremely intense, which should incite prospective restaurateurs.

Downtown operations maintained their level of sales. During the second half of 1985 a number of new restaurants contracted to develop new operations in the Peachtree Center office complex due to the mid-August opening of a major hotel with 1,674 rooms. Nevertheless, with the notable exception of the restaurants in the major convention hotels and a handful of independent operators, restaurant activity in the downtown area is primarily lunchtime oriented. More expansive and economically viable alternatives will probably not be forthcoming until the once vibrant Underground Atlanta is redeveloped; this has been in the planning process between the Rouse Company and city government for more than two years.

Urban neighborhoods such as Midtown, Virginia-Highlands, Ansley Park and Morningside continued to attract small, diversified independent restaurants due to the rapid influx of affluent young professionals drawn to the area by the desirable living environment and convenient location to downtown and Buckhead.

New commercial development near the Hartsfield Atlanta International Airport, the busiest airport in the world during 1985, has spurred a moderate amount of new restaurant construction in this sector of the city. The city government is encouraging further development by offering various incentives, which suggests a promising future for this area.

Atlanta remains one of the premier areas of the country for restaurant operations. Its youthful, active and affluent population far exceeds the national average for meals eaten away from home. Lounge and entertainment facilities benefit in a similar manner.

R. Mark Woodworth
Henry Vickers
Atlanta

From Boston

Boston area restaurant operators reported a considerable increase in food and beverage sales in 1985. Boston continued to enjoy a strong economy and a low unemployment rate as evidenced by the considerable growth in office, retail and condominium housing markets throughout 1985. This strong economic base has resulted in a consumer profile with a higher disposable income than before. This has had a positive effect on restaurant sales in the city.

Boston's consumer base continued to be ethnically diverse and well educated in 1985. Changing demographic and life style trends have resulted in highly sophisticated and discriminating consumers who demand quality and value from their food purchase dollar. At the same time, this sophistication has resulted in a consumer base that is willing to be experimental with new and unusual types of food. In addition, the recent interest in health and fitness has made Boston consumers more health conscious. All of these elements have impacted restaurant sales in the city. These trends are likely to continue in the future.

State legislation has also had an effect on food and beverage sales in Boston. In 1984, Massachusetts banned happy hours. This act, combined with the state's increasing efforts to combat drunk driving, resulted in a decrease in total liquor sales in 1985. The composition of liquor sales also changed. Sales of beer and wine increased while sales of many other drinks fell.

New restaurant development in the city includes several establishments geared toward the young professional market. Due to the shift in consumer tastes, the number of restaurants specializing in international cuisine such as French, Mexican, Japanese and Thai have increased, and existing operations have gained in popularity. There has also been a considerable increase in the number of over-the-counter operations in the city to accommodate the increase in demand for take out items. Furthermore, several new upscale hotel restaurants entered the market this year with the addition of two new

luxury hotels in Boston and two in Cambridge.

New restaurants also have emerged in several residential suburbs in response to a more pronounced demand for dining establishments outside the downtown Boston area. Many of these developments require substantial zoning and licensing changes.

Diane Rieferstahl
Jill Sheff
Boston

From Denver

Denver's restaurant market continued to evolve in 1985 in response to the urges and whims of residents and visitors. In retrospect, the most heavily patronized restaurants in Denver in the late 1970s were casual in atmosphere and decorated with rough wood and live plants, occasionally with a brass motif. The work of contemporary artists was apparent throughout, and nachos were the popular appetizer.

In the early 1980s, the popularity of "fern bars" in Denver's central business district and the neighboring Capitol Hill area was replaced by interest in the growing number of suburban restaurants and bars. These operations typically catered to Denver's young professional crowd looking for an upbeat, casual atmosphere.

During 1985 the restaurant-going public of Denver shifted gears once again. This was prompted by the opening of three major theme retail complexes, each having a strong food component.

The Tabor Center, a mixed-use development of theme retail and office space connected to a major hotel, includes Denver's first extensive food court with cookies, frozen yogurt, sandwiches, hamburgers and croissants among the items available. The Tabor Center has successfully attracted noon-time and evening patrons.

The Tivoli, a historic brewery recently converted to a theme retail complex, integrates a number of full-service restaurants. The Tivoli includes specialty shops, theaters and restaurants and is located just a few blocks west of downtown. Full-service restaurants at the Tivoli include several limited-menu food outlets, a moderately priced Hawaiian restaurant and a formal gourmet restaurant, which has been successful in commanding some of the highest restaurant prices in Denver.

Most recently, the Littleton Riverfront Farmer's Market complex opened in suburban Denver. This development includes retail outlets, a year-round farmer's market and a food court with plans for a number of full-service restaurants.

With the opening of these three developments, local diners have been treated to new and unusual offerings in a variety of atmospheres with varying levels of service. As we look to 1986, more nontraditional restaurants in nontraditional locations are anticipated throughout the metropolitan area.

A number of other trends are expected to have an impact on Denver's restaurant industry during 1986. The slowdown in residential and commercial growth is expected to reduce the number of new restaurant openings. Foreshadowing this trend is the number of local restaurant operations that failed in 1985, primarily because they were undercapitalized or provided inconsistent service. A key success factor for existing and new operations in 1986 will be the ability to make it through potentially lean times as competition continues to increase.

As 1986 unfolds, liquor liability will continue to be a major issue and cost for Denver area restaurateurs. New operations coming into Denver will find that a great dining atmosphere will attract patrons. However, the quality of food and service is top priority to consumers and key to attracting repeat business. Quality never seems to go out of style. Operators that strive for and consistently maintain quality will be successful in the Denver market in 1986 and for many years.

Dave Johnstone
Hannah Messerli
Denver

From Detroit

Restaurant sales continued to surge as strong growth in the local economy continued. With the unemployment rate at its lowest point in more than five years, local residents continued to dine out in record numbers. Most operators reported sales increases in 1985, while the low inflation rate helped contain costs.

Development activity continues in the suburban areas, especially Southfield, Troy, Farmington Hills and Novi. Trappers Alley, a specialty restaurant and retail complex, located in Greektown, opened during the year and was an immediate success. Further restaurant and bar development is projected due to the success of Trappers Alley and the continued revitalization of downtown Detroit. Other development activity occurred as the result of small regional restaurant operators opening additional units.

The trend toward health- and diet-oriented menu items continues. Menus continue to emphasize pasta, fresh fish, poultry and California cuisine. Contrary to this trend, several restaurants featuring prime beef have opened. While food sales are increasing, liquor sales have been falling even with increased wine sales.

The outlook for 1986 seems to indicate continued growth in the local economy. The recent acquisitions of the "Big Three" automobile companies should help fuel the economy as business-related travel continues to increase in the metropolitan area. During the next few years, development activity is expected to continue, especially in the strong suburban markets and the revitalized downtown area.

Paul Garber
Denver

From Harrisburg

Harrisburg area restaurants experienced slight increases in food and beverage revenues in 1985 despite the lack of any dramatic increases in the actual number of full-service, independent restaurants entering the market. Moreover, full-service operators have indicated that customer counts or numbers of covers served decreased slightly in 1985. This trend is believed to be a result of new legislation that imposes more severe penalties on driving while under the influence of alcohol, which has more severely impacted lounge or nightclub operations.

Fast food restaurants have followed the development of the major new office space construction, most prominently in the Camp Hill area on the west shore of the Susquehanna River and along North Progress Avenue north of Interstate 81. Hotel restaurants have experienced varying degrees of loyal local patronage from Capital area residents. The most recently planned and proposed hotels and motels in the Harrisburg area are in the economy

and limited-service category, which will not provide additional food and beverage alternatives.

Restaurant operators have indicated customer trends continuing the movement toward healthy, fresh foods including pasta, seafood, baked goods and fresh salads. Red meats are on the decline, while low-calorie, low-fat, smaller portioned poultry, fish and vegetarian entrees are becoming more popular. Mexican foods have made a well-accepted entrance into the Harrisburg area, with Mexican style appetizers and entree items becoming increasingly present on areawide menus.

Chris Komanowski
Craig Mason
Philadelphia

From Houston

The Houston economy continues to epitomize the negative effects of the world oil price decline. Several major hotels have closed while others have been sold at a discount. Home foreclosures reached unprecedented levels and commercial real estate leasing, particularly in suburban areas, has dramatically slowed. Although signs of economic diversification are beginning to appear with expansion in the space and medical technology industries and the Port of Houston, Houston will remain an oil-based economy for the near future.

This translates into generally soft restaurant sales with few per unit sales increases. Many restaurants are experiencing sales declines of 20 to 30 percent, with some opting to close. Several national chains, which usually endure economic vicissitudes, have closed units.

At the same time, the cost of entry into the market is dropping and locations have opened up that might not have been available in better times. As a result, new restaurants appear almost as quickly as others disappear.

This is causing an extremely competitive environment filled with marketing promotions, such as two for one offers and higher-priced restaurants offering low- to mid-priced items. Restaurants are, in effect, buying sales by increasing operating costs.

Among the changes in restaurant trends experienced in Houston are a renaissance of new Mexican and Tex-Mex restaurants, an upsurge of Italian restaurants and a continuation of the Cajun seafood craze. Even other types of restaurants have relented to local popularity and added fajitas or blackened fish to their menus.

Another interesting trend is that home delivery has established itself as an industry force beyond pizza and will be used as a way of gaining extra sales. Liquor sales will continue to be soft as drunk driving awareness continues and the drinking age rises to 21 in September.

In the coming year, the economic environment is predicted to remain unstable. Restaurateurs will be tested in their ability to control costs while seeking to increase sales in a highly competitive and uncertain climate. For Houston, 1986 will be a year of management dexterity.

Stephen Zagor
Houston

From Kansas City

The 1985 results for the Kansas City restaurant market were not as favorable as operators had hoped. The compound effects of a depressed agriculture market, a slow convention year and the continued awareness of drunk driving issues have had an impact on this normally vibrant market. Offsetting these negative influences somewhat was the unanticipated success of the Kansas City Royals in winning the World Series from the St. Louis Cardinals in seven games, as well as the continued surge in area real estate development.

New concepts in the Kansas City area have revolved around cajun/creole menus as well as the continually popular gourmet hamburger concept. A novel idea—conceived by a Kansas City operator and being franchised across the country—is a gourmet, jumbo cinnamon roll. It has proven very popular in shopping centers and other high traffic locations. This concept has already spawned area copycat operations.

Several new restaurants opened in the downtown area, capitalizing on the increasing lunch trade from the current office development boom. A new residential development on the edge of the downtown loop has shown early promise, which could ultimately contribute to the emergence of downtown as an alternate entertainment district.

The Country Club Plaza, Westport and Johnson County areas continued as the most dynamic food and beverage markets due to the high concentration of upper-income residents as well as the abundance of office space.

The outlook for 1986 is bright as the city's convention trade is anticipated to return and as development projects, started in the past 18 months in emerging suburban areas, are completed.

Richard M. Niedbala
Kansas City

From Minneapolis

National trends reflecting the public's preference for lighter food and lower alcohol consumption are evident throughout the Twin Cities restaurant market. With consumer tastes becoming noticeably more sophisticated, sales of low sodium entrees, ethnic foods and fish and seafood increased at area establishments at the expense of red meat entrees.

Competition among Twin Cities area restaurateurs, which was partially induced by changing consumer expenditure habits, continued to increased in 1985. In addition to decreasing revenue and escalating operating costs, increased competition has lead to more than 45 restaurants closing their doors during the past year.

A shakeout is occurring among area restaurateurs. Many operators are scrambling for position by using newly developed concepts to appeal to changing consumer tastes. In addition, the Twin Cities nightlife is continuing to spread throughout the metropolitan area, thus creating a wider range of opportunities for site selection. However, the primary restaurant sites are becoming scarce, land prices are rising and restaurateurs are being forced to settle on secondary sites.

As a result of drunk driving legislation, revenue from the sale of alcoholic beverages declined in 1985. In an effort to boost sales, many operators have established designated driver programs where one person in a group is provided with free soft drinks during the course of the evening for abstaining from alcohol. In addition, a taxi service has been established by an area organization to provide free transportation home from a public establishment during the holiday season.

Insurance rates, which have increased 100 to 300 percent, are the main reason for escalating operating costs. Restaurateurs must also contend with the surtax to the Federal government for funds borrowed

by the state to cover unemployment costs during the last economic recession. This resulted in payroll and social security taxes in excess of 12 percent. Other challenges for restaurant operators include enactment of a 0.5 percent beverage tax and a 3 percent tax on hotels in Minneapolis to assist in the funding of the proposed convention center, the continued reduction in the tip credit provision and the possible raising of the drinking age to 21, which is currently pending in the state legislature.

On a more positive note, the continued revitalization of the downtown areas and the development of new office and retail space have created an optimistic outlook for the restaurant industry. Approximately 3.4 million square feet of office and retail space is under construction in the Twin Cities area.

Long-term efforts to redevelop the downtown areas are now being realized. During 1985, the opening of the Ordway Theatre in St. Paul brought additional demand into the downtown area. The opening of Galtier Plaza, a 65,000-square-foot mixed-use building, added three restaurants in downtown St. Paul. Also, construction of the World Trade Center in St. Paul has commenced; the complex will contain 450,000 square feet of office and retail space, promising to generate additional activity in the downtown area.

In Minneapolis, construction of the Radisson Plaza VII is well under way. The Plaza will contain a 360-room hotel and 22,000 square feet of retail space. Norwest Bank has planned a 1.2 million-square-foot office project containing both office and retail space. The city continues to plan for a new convention center, with the most recent proposal involving a new facility on the site of the existing center and a new 600-room hotel.

In Bloomington, anticipation continues to build as negotiations on the MegaMall will be part of yet another legislative session. Preliminary development plans include office and retail space, hotel(s) and an indoor water park on the prime 82-acre site near the airport.

The upgrade of State Highway 12 into a four-lane interstate has commenced. During the construction period, the restaurants along this corridor may suffer a decline in revenues due to the inconvenience and congestion of the highway; however, when it is completed in the early 1990s, development along this interstate is expected to accelerate.

The opening of Canterbury Downs Race Track in Shakopee has generated an influx of approximately 13,000 additional people per race day into the Shakopee and southern suburban area. As a result, area restaurants have experienced sizable increases in both the number and average price of the covers served. With the lengthening of the race track season in 1986, these increases are expected to continue.

Anthony Hyde
Janene McBride
Minneapolis

From New York

The restaurant industry in New York experienced moderate growth in 1985. This was due in part to a surge in new competition and an increase in average checks. Established fine dining restaurants experienced stable covers, while the trendy new grazing/high energy bars entered the scene with the usual immediate following.

Many New York restaurateurs proved that location is not the most important factor to opening a successful restaurant in Manhattan. Old warehouses in remote, "undesirable" locations were successfully converted to "see and be seen" restaurants for the rich and famous, as well as for those aspiring to be rich and famous. The industry also expanded into nontraditional restaurant locations, such as Soho and Park Avenue South, which have become saturated with new restaurants, with at least 10 new, exciting concepts opened during a one-year period.

The competition in the development of new office space has resulted in an interesting new relationship between real estate developers and restaurant operators. A number of office building developers have found that a quality restaurant increases at least the perceived value of their office project. Two new office projects that have opened this past year, the A.T.&T. and the Equitable Life buildings, have included first-class, name restaurants. In addition to fine dining restaurants, many developers are also interested in providing gourmet take out shops in their high traffic lobby areas. Condominium developers, for reasons similar to those of the office developers, have also established special relationships with area restaurateurs to provide residents with a take out/delivery arrangement similar to room service in a luxury hotel. The benefit to the restaurateur is additional business from parties and other catered affairs held by condo owners.

The evolution to lighter fare continued during 1985. The excitement began with French nouvelle cuisine in the 1970s and continued with the American foods revolution. The past year witnessed the strong growth of nutritional awareness, light cuisine and the recognition of "grazing" as an eating style. Starting with Tapas Bars, a Spanish concept of a bar and eatery which serves a variety of interesting appetizer size portions, the concept of grazing has spread to a variety of cuisines. Many restaurateurs, realizing the marketing impact of this new trend, began to offer this style of dining as an alternative to the traditional appetizer/entree/dessert style. Operators have found that grazers will dine at almost any time of the night, thus extending the traditional dinner period. Although many restaurateurs have found that grazing tends to decrease the average check and slow the table turns (since patrons tend to linger over the meal), overall revenue has increased due to the extended busy hours.

With the decrease in the cost of microcomputer systems and the increase and availability of quality restaurant software packages, more restaurateurs have purchased and installed management information systems as a basis for improved profitability.

The outlook for the remainder of 1986 is strong. We expect to see continued trends toward health consciousness. Menus will indicate the nutritional assessment of the menu item and may even promote low sodium dishes and products free of nitrates. The opening of the Jacob K. Javits Convention Center in the spring of this year is expected to bring a strong growth in the number of visitors and convention attendees to New York City. Concern for safety related to international travel has had a positive effect on national travel and has increased tourism in New York. Also, many local restaurant patrons continue to dine out more frequently and use their favorite restaurant's take out service when eating at home.

Bjorn Hanson
Stuart Feigenbaum
New York

From Ohio

Ohio restaurateurs generally reported strong increases in business compared with 1984 levels. The stabilization and even slight increase in population and residential development have contributed significantly to these results. Additionally, continued growth in office space and hotel development have spurred new restaurant activity.

During 1985, the majority of new restaurant development was in the form of limited-service fast food operations. However, the number of full-service and theme restaurants opened in the state during 1985 was higher than during the past several years. As forecasted last year in this report, the emergence of breakfast service at both fast food and full-service restaurants became one of the strongest marketing efforts of the year. This is directly attributable to increases in the number of two-income households and the general trend toward increased consumer convenience. In further response to Federal laws and media promotion regarding drinking and driving, Ohio restaurateurs began limiting alcohol consumption of patrons as well as providing transportation home to those perceived to be intoxicated.

Cleveland restaurateurs experienced a strong year in 1985. Two major growth areas for restaurant development were downtown Cleveland and "the flats." The flats area, located on the east bank of the Cuyahoga River, contains many diverse night spots. Along Old River Road, for example, the selection ranges from an inexpensive burger restaurant to an expensive gourmet French one. One California cuisine restaurant, opened in the flats in 1985, has been well received. Further restaurant development is proposed due to other waterfront development and increasing local appeal. In downtown Cleveland, the European-style Arcade building, built in 1890, underwent a renovation, which resulted in the opening of a unique food court featuring more than 10 specialty food facilities. This development was a direct result of the opening of the one-million-square-foot Sohio World Headquarters building adjacent to the Arcade. One other major downtown development that will definitely affect the growth of the downtown market is the renovation of the old Halle's department store building into more than 300,000 square feet of office space containing seven fast food restaurants and an upscale full-service restaurant.

In Columbus, new restaurant development continued throughout 1985. Sales growth occurred in all types of restaurants with fast food facilities experiencing the strongest increases. The expansion of the Columbus fast food industry can be attributed to the number of limited-service/fast food companies headquartered in the city. Currently, more than 10 restaurant chains are based in Columbus. The major restaurant growth areas in Columbus will be in the northern suburbs including Worthington, Dublin, Westerville and the area around Ohio State University.

The Cincinnati restaurant industry is one of the strongest in the country. Downtown Cincinnati remains the focal point of the restaurant activity due to the diversity of dining alternatives and the presence of attractions, such as high-quality retail outlets and the Cincinnati Reds and Bengals professional sports teams, that draw out-of-town visitors. The downtown establishments range from several highly rated restaurants to more than 100 chili parlors. Future restaurant development also will continue at a moderate pace in the northeastern suburbs due to further residential and office development.

In Toledo, the opening of a new downtown luxury hotel featuring three French restaurants and the continued presence of the Portside Festival Marketplace contributed to making this city a more vibrant restaurant market. The downtown Toledo restaurant industry will grow significantly in future years as a result of the opening of the new Toledo Convention Center.

The outlook for the Ohio restaurant industry remains optimistic. As the state's economy strengthens and commercial, retail, convention and housing development occurs, the demand for new exciting restaurants will increase.

Jay H. Lewis
Peter J. Weiers
Cleveland

From Orange County, California

Restaurateurs in Orange County experienced another favorable year as a result of the strong economic growth of the county as a whole. As one of the fastest growing counties in the United States, Orange County experienced unprecedented growth in office, hotel and residential development.

Costa Mesa and Irvine, for example, have witnessed new restaurant development within several mixed-use projects. Several other cities have seen growth in the number of restaurants located within regional shopping malls. Historically, Orange County has maintained more than its fair share of national restaurant franchises, which have viewed the county as a test market area for innovative restaurant concepts.

A few concepts that showed growth in 1985 are fine dining rooms in hotels, gourmet hamburgers, spicy and flame-broiled chicken and full-service delicatessens.

Orange County restaurants should continue to experience growth in the future, paralleling the projected growth in commercial, retail and residential development.

Boyd Lypka
David R. Kinkade
Costa Mesa

From Philadelphia

Restaurateurs in the greater Philadelphia area have increasingly worked together to combat a number of areawide challenges. Signs of this activity include increased membership and participation in the Philadelphia-Delaware Valley and Pennsylvania Restaurant Associations and a more visible profile of activities by the PDVRA.

The visibility/exposure provided by past NRA president and local restaurateur, Walter Conti, has contributed to the increased interest by the industry in working together for the common cause. Other factors that have caused sufficient concern to generate this increased cooperation include:

- The continued impact of the three-year reconstruction of the Schuylkill Expressway linking the Valley Forge/King of Prussia, City Line and center city areas.
- The decline in beverage sales resulting from the increased awareness and impact of drunk driving laws.
- The impact of major increases in the cost of liability insurance and, in many cases, the inability to obtain such insurance at all.

- Current legislative efforts to amend the business tax deduction policies related to business meals and entertainment.

In the face of these impacts, however, center city Philadelphia has had a reasonable year. Fine dining has experienced enhanced popularity. A number of new establishments opened recently, among which an elegant Italian restaurant and an upscale cafe have enjoyed heavy business volumes. New fast food concepts emphasizing healthy foods and appealing presentation have opened to critical acclaim, but generally moderate volume.

A major factor in the ability of restaurateurs to combat the various difficulties mentioned above has been the highly successful marketing program of the Philadelphia Convention & Visitors Bureau, which includes high-quality advertisements in most of the national periodicals. Many of these ads have focused on the outstanding variety and quality of dining experiences available in the area.

R. Geoffrey Kirkland
Ronald Gorodesky
Philadelphia

From Portland

The market in Oregon is generally soft, as it has been for the last three years. Coupled with stricter drunk driving laws and the rise in liquor liability insurance, the food and beverage industry has stabilized its growth for the immediate future. There is general concern that the current number of restaurant seats exceeds demand.

Oregon remains cautiously optimistic about the 1986 tourism season and is looking for temporary prosperity due to vacationers en route to Expo '86 in Vancouver, British Columbia.

In Portland, there are isolated pockets of restaurant industry growth in the high-technology areas of the city. Operators in Portland's city core report various levels of profitability, depending on their location and whether they are using special promotional offers. Family-owned and formal "white table cloth" restaurants are doing well, especially those that operate in conjunction with specialty facilities.

New and future construction in Portland includes a gourmet market and theater development near Lloyd Center, a planned convention center, and completion of a performing arts center in downtown Portland. All of these will be accessible by the light rail system scheduled to open in August 1986.

Robert I. Mesher
Portland

From San Diego

The San Diego restaurant industry experienced strong growth in 1985 as indicated by the large increase in the number of permits issued by the Health Department compared with 1984. While some area restaurateurs have felt the increased competition, overall taxable sales per restaurant reported to the state increased approximately 16 percent in 1985 compared with a 6 percent increase in 1984. This increase suggests support for restaurant development as a result of strong growth in population, commercial development and employment throughout San Diego County.

San Diego eating trends continue to center around the availability of fresh seafood and the patron's desire for fresh ingredients prepared creatively. The increasing number of restaurants that offer as many as 10 fresh catches of the day have found more than half of their guests ordering from this list, despite a large selection of other menu items. Additionally, Cajun-style dishes have slowly gained popularity during the year.

Although reduced liquor consumption has reduced beverage profits, San Diego restaurants have minimized this by improving their merchandising of wines from well-known California vineyards. Restaurants offering several quality wines by the glass are the norm, since many San Diegans now expect this.

The restaurant business in downtown San Diego has experienced a dramatic change during 1985. With the opening of Horton Plaza, an upscale 800,000-square-foot retail center and the absorption of two new condominium developments, Marina Park and Park Row, downtown restaurants are becoming less vulnerable to special cultural events that have attracted people downtown at night and on weekends. These restaurants have reported a strong increase in both weekday and weekend dinner sales, and this trend is expected to continue as more residential developments are completed in the downtown area.

The continued growth in population, income, commercial development and tourism projected for 1986 suggests another healthy year for San Diego restaurants.

Lewis A. Weinger
San Diego

From San Francisco

It is interesting to note that California, which is home to today's food trend setters, is the same state that gave birth to the fast-food chain concept more than 30 years ago. Nowhere can you see this continuing phenomenon better than in San Francisco and the Bay Area, where "California Cuisine" is touted with a flair. This is not only at the high-end, but at places like the original grill restaurants—where you can still eat at the counter. San Francisco, a gateway to the Pacific, also offers the international cuisines of China, Japan, Korea, Vietnam, Thailand, the Philippines and Polynesia. In addition, the strong Latin influence in California is evidenced by the significant number of Mexican restaurants all over the state, as well as San Francisco.

The average Bay Area resident spent more than $650 eating in restaurants last year—nearly twice what the average American spent. With 3.5 million people, metropolitan San Francisco reported restaurant sales of $2.1 billion in 1984, and all indications point to an increase in this number in 1985.

These statistics were somewhat frustrating to many independent operators, who actually reported significant decreases in sales volumes. This could be attributed to several factors.

- An influx of new, trendy restaurants, which have diluted demand.
- Reaction to the new drunk driving laws, which have impacted beverage sales negatively.
- Threat of new tax laws that may exclude business meals from normal deductions.

Many new types of restaurants and some creative concepts have entered the marketplace, the most successful of which is the old-time diner. At least three have popped up around the city, boasting stainless steel and neon trim or authentic juke boxes. These additions to the city's already staggering number of restaurants

(4,000+) have fared very well. The menus typically include large portions of deli meats, barbecue and mesquite-grilled meats, fish and fowl. New wave diners, according to *Nation's Restaurant News*, are grossing anywhere from $2 million to $4 million per year.

The emphasis on health foods appears to have staying power. However, some restaurant developers have attempted to introduce healthy fast food concepts with rather disappointing results. As much as Californians like to consider themselves health conscious; they desire an alternative to salads and sprouts and, as a result, are not visiting these concepts as often as was predicted.

A continuing trend from last year, shops catering to people's sweet tooth have done very well. San Franciscans have patronized the new gelato, frozen yogurt and cookie shops equally as much as the famed salad bars.

The emphasis on the drunk driving laws and potential server liability seem to have had a negative impact on the sales of hard liquor at many restaurants. Many restaurateurs have been promoting special fruit, ice cream or coffee drinks—some alcoholic, some not—to offset diminished hard liquor sales. Other operators think the new consumer preference of wine versus hard liquor has resulted in higher beverage costs, not a decrease in sales volume since profit margins are lower for wine.

San Francisco is proud to be the home of the new Food Service Trade Center. The first facility of its kind, it was created to bring food service operators together with product and service suppliers. This multifaceted resource and marketing center should help San Francisco maintain its reputation as one of the world's greatest foodservice markets.

San Francisco will host the Western Restaurant Convention and Exposition this year, sponsored by the California Restaurant Association.

San Francisco's growing work force as well as continuing commercial, retail and lodging developments promise an increase in dining out trends. We look forward to another challenging year for restaurant operators.

Susan Kennedy
San Francisco

From Seattle

Total sales in Seattle area restaurants increased slightly in 1985 as local operators set financial goals that would attain above-inflation sales levels. Local restaurants are emphasizing consistent quality in more limited menus.

Beverage sales declined substantially, partially in response to the state's strongly enforced drunk driving legislation. Restaurateurs have battled this with increased availability of low and nonalcoholic beverages and complimentary soft drinks. Restaurants that are close to residential areas have not experienced as severe a decline in beverage sales as those in urban locations. The lounges of area restaurants are promoting appetizer menus, which offer a menu sampling as well as a listing of beverage selections. Many lounges offer a variety of regional wines by the glass as well as several draught beers from small local breweries. Local lounges also feature extensive "back bars" which provide a wide variety of selected distilled spirits.

The trend of selecting from a variety of lighter foods instead of ordering a traditional three-course meal has increased the appeal of many area restaurants. Local shellfish, sushi, gourmet pizza and Cajun dishes are among the more popular items on these menus. The local company that first introduced this trend to the Seattle area expanded its operations nationally in 1985.

Fresh regional seafood continues to be the most popular item on Seattle area menus. Demand for gourmet hamburgers, take out and desserts is increasing. Overall, patrons in Seattle area restaurants are eating lighter and healthier foods. Area residents also expect high quality at a reasonable price.

The Seattle area did not experience any major development of new hotels or retail malls in 1985. Bellevue, the major suburban city in the Seattle area has been a major growth area for commercial office space in recent years. High-quality existing retail space in Bellevue has been the target for expansion of two local restaurant companies.

Seattle's Lake Union is developing into a restaurant community with three major restaurants beginning operations in 1985. Existing restaurants are increasing marketing efforts and renovating their facilities. A major retail development and boardwalk on the southern end of the lake is proposed. Although new restaurants add to an already competitive restaurant environment, operators are optimistic that increased pedestrian traffic will provide greater demand for area restaurants in the long term.

Andrew Olsen
Monte Zwang
Seattle

From South Florida

The suburban areas of South Florida continued to grow at record pace during 1985. As population moves further west followed by retail development, heavy emphasis has been placed on food establishments catering to the 25 to 40 age group, which is spearheading this growth. Many well-established chain operators along with newcomers to the market are meeting the challenge with new products and changes in some of the older concepts. Concerns about legislation on the legal drinking age and "happy hour restrictions" have local restaurateurs and tavern owners meeting the challenge head on.

Casual dining establishments that are part of national restaurant chains represent the largest influx of restaurants into the newly populated areas of Dade, Broward and Palm Beach Counties. In addition, many local companies have moved forward to meet the increased demand. In the West Kendall area of Miami, several new outlets have taken the yuppies by storm with "baby vegetables" from California, Mesquite grills, Cajun pan frying and assorted nouvelle dishes in a relaxed atmosphere. Other concepts are being developed by many of the well-established restaurateurs who perceive their markets may be slipping.

Again in 1985, fast food was a winner, seeing strong growth in all types of food. Some of the greater strides have been experienced by local and regional firms that have moved into the fast lane of franchising. Although new concepts are popping up frequently, the biggest development in fast food is the home delivery system. We expect this trend to continue with some entries by more upscale restaurants. Some traditional restaurants are getting their feet wet by offering take out service.

Area restaurateurs are facing several ongoing issues regarding restrictions on the sale of alcoholic beverages. For the first time this year, Fort Lauderdale passed an ordinance banning the consumption of alcohol in public, which greatly curtailed the merriment of spring break. Dade County has passed the same ordinance. While this new law does not affect the industry directly, it does point to the mood of the voting population. Most area operators continue to promote awareness hoping to avert such legislation that would cut into sales. The most visible expression of their concern is a tag on most advertising or commercials, saying "If you drink, don't drive."

We expect 1986 to be a solid performance year for area restaurateurs. Increased visitation (a record 1986 season for the lodging business) and improved products should result in increased profits. While alcohol consumption remains an issue, we expect restaurateurs to continue to respond sensibly to the challenge ahead.

Dean H. Lott
Miami

From Tampa

The area's restaurant industry continued to expand during 1985 as a result of the high level of commercial and industrial growth throughout the metropolitan area. Continued growth and, as a result, a strong restaurant industry are expected.

The primary areas that have and are expected to experience new restaurant development include:

- *Downtown Tampa.* The addition of Harbour Island, a $1-billion mixed-use development, opened with great fanfare during July 1985. The first phase of this development included a 200,000-square-foot office building, a 300-room luxury hotel and a 66,000-square-foot festival retail center. The hotel includes an upscale restaurant, which has become a success with business clientele. The festival retail center includes a "food court" offering a wide variety of quick-service foods and three full-service restaurants and lounges. An upscale quality Continental restaurant has opened in the City Center Esplanade. Since this opening, interest in the Esplanade has increased and a deli restaurant is now being added. The Barnett Plaza, a 42-story office tower, recently opened and soon will sport a restaurant in its lobby/retail area; the top floor will become the new home of one of Tampa's long-established downtown clubs.
- *Airport/Westshore.* This area—considered Tampa's second downtown—contains much of the city's first-class office space, which provides the customer base for relatively high-priced restaurants. Recent restaurant development in this area has been limited to those within the growing local hotel market. The Westshore Mall, one of Tampa's oldest, was recently renovated. The renovation included the addition of the food court, which is typical of shopping malls. Tampa Bay Center, Tampa's newest mall, also recently added a food court offering typical quick-service foods.
- *South Tampa/Hyde Park.* During the past few years, South Tampa/Hyde Park has become an active redevelopment area. The large century old homes are being purchased and renovated to complement the area's original brick streets and antique street lamps. The recently opened Old Hyde Park Village, a mixed-use retail/residential center, offers high-end retail shops and restaurants. This development was built around one of Tampa's most popular restaurants. Other food and beverage establishments include a coffee shop, ice cream parlor and a "fern bar" restaurant. Hyde Park has become popular among Tampa's business people. In the southernmost portion of this sector, fast food restaurants have developed in response to the increase in the residential base.
- *East Tampa.* The completion of the Interstate 75 bypass has spurred a tremendous growth in industrial, office, retail, residential and hotel development in this area. During the next several years, the Interstate Corridor should be one of the most active markets in the Tampa Bay area and hold one of the greatest opportunities for residential growth.
- *North Tampa.* For the past 10 years this area has been characterized by an accelerated pace of residential development. This growth is attributed to Tampa's increasing employment base downtown and in the Airport/Westshore area. Several restaurants opened recently in North Tampa. Based on the number of residential developments currently under construction or planned, it appears that additional restaurants could be supported.

As in other growing metropolitan markets, competition in the home-delivery pizza market is at its greatest level ever in Tampa. National delivery chains are competing with local operators for their market share with extensive marketing, discounts and giveaways.

As Tampa continues to strive to become America's next great city, it is anticipated that existing and new restaurants will have an excellent opportunity to develop and prosper.

Chris Burr
Chuck Ross
Tampa

EXPLANATION OF TERMS*

Food sales

This category includes revenue derived from the sale of food in the restaurant. Food sales also include the sale of coffee, tea, milk and fruit juices, which usually are served as part of a meal. If there is no service of liquor, beer or wines, the soft drink sales also would be included in this category.

Beverage sales

This category includes revenue from the sale of wine, spirits, liqueurs, beer, ale and soft drinks. These sales do not include coffee, tea, milk or fruit juices, which normally are served with meals and, therefore, are considered food.

Prime cost

Prime cost is the total of the following: cost of food sold, cost of beverage sold and the associated payroll costs and employee benefit expenses.

Payroll

This category includes the regular salaries and wages, extra wages, overtime, vacation pay and any commission or bonus payment made to employees. The entire restaurant payroll generally is included under this category.

Employee benefits

This category includes Federal Retirement (Social Security) Tax (FICA), Federal and State Unemployment Taxes and State Health Insurance Tax. Other items considered benefits are Workmen's Compensation Insurance Premiums, Welfare Plan Payments, Pension Plan Payments, Accident and Health Insurance Premiums and Hospitalization, Blue Cross, Blue Shield and Group Insurance Premiums. Also listed under employee benefits are education expenses, Christmas parties, employee sports activities, credit union, awards and prizes, and transportation and housing.

Direct operating expenses

Expenses directly involved in providing service to the customer, such as uniforms, laundry, linen, china, and cleaning and paper supplies are considered operating expenses. Also included are utensils, kitchen fuel, menus and drink lists, flowers and decorations, contract cleaning, auto or truck expense, parking, and licenses and permits.

Advertising and promotion

This group of expenses includes selling and promotion expenses, such as direct mail and entertainment costs in promotion of business (including gratis meals to customers). Also, the cost of advertising through newspapers, magazines or trade journals, outdoor signs and radio and television are included. Public relations and publicity (including fees and commissions to advertising or promotional agencies) and franchising fees and royalties are found in this category.

Utilities

This section is comprised of the cost of all fuel except that charged to direct operating expenses in the account "kitchen fuel." Water, ice and refrigeration supplies and the removal of waste are also included. The cost of oils, boiler compound, fuses, grease and other supplies plus any small tools used in the operation or maintenance of the mechanical and electrical equipment should also be charged to this account.

Administrative and general

This group of expenses is commonly considered "overhead," and includes items that are necessary to the operation of the business rather than those connected directly with the service and comfort of the customer. This account should be charged with the cost of all printed matter not devoted to advertising and promotion, such as accounting forms, account books, restaurant checks, office supplies, cash register and other checking supplies, letterheads, bills and envelopes. All postage, except amounts applicable to advertising should be charged here. The cost of telephone equipment rental, local and long distance calls and telegrams should be charged to this account with the exception of calls chargeable to marketing. Other items charged to this account are management fees, data processing costs, dues and subscriptions and insurance costs (other than those included as employee benefits or fire and extended coverage on the premises and contents). Commission on credit card charges, collection fees, cash shortages, professional dues and protective services are also considered A & G expenses.

Repairs and maintenance

The following items are repairs and maintenance expenses: painting and decorating; plastering; upholstering; mending curtains; and maintenance contracts on elevators, signs and office machinery. Repairs to dining room furniture, refrigeration, air conditioning, buildings, floors, plumbing and heating are charged to this category as well. Repairs to dishwashing and sanitation equipment, kitchen equipment and office equipment are also included here.

Occupation costs

These expenses, together with interest and depreciation charges, are the costs of readying the premises for operations. These are sometimes called "fixed charges" since they usually are determined by the financial setup of the restaurant and not by the trend of its business. Rent, taxes and property insurance are occupation costs.

*The definitions and examples have been taken from *Uniform System of Accounts for Restaurants*, 1983 revised edition.

ANALYZE YOUR OPERATION

A periodic analysis of your restaurant's financial performance may provide some early warning signs of potential problems. Food costs or payroll may be inching up month by month. Some controllable expenses could be increasing while others are decreasing.

Day-to-day changes in your costs may be small and could go unnoticed. However, examination on a regular basis could uncover undesirable trends, allowing you to take corrective action and control situations that could lead to a crisis. That is the key to effective management.

To help you toward better management, we have included on the following page a worksheet designed to help you analyze how well your restaurant is doing in comparison with the rest of the industry. Follow these simple instructions for completing the worksheet:

1. Enter your financial data in the first column.

2. Compute the percentages for column 2 by dividing the amounts by total sales. (Note—Where food and beverage sales are broken down separately, compute percentage of food cost by dividing cost of food by food sales; for the beverage cost percentage, divide cost of beverage sales by beverage sales.)

3. Calculate the supplementary statistics in accordance with the formulas given.

4. List the appropriate comparative percentages or ratios from this report in column 3.

5. Compute the variances by dividing the difference between the figures in column 2 and column 3 by the figures in column 3. Multiply the result by 100 to express the variance as a percentage.

6. If the variance is greater than plus or minus 10 percent, further analysis should be made to determine the reason for that variance.

WORKSHEET

Complete and Compare
Statement of Income and Expenses

	Your Figures (Dollars)	Your Figures (% of Sales)	Restaurant Industry Report	Variance + or -
Sales				
Food	$	%	%	
Beverage	$	%	%	
Total sales	$	%	%	
Cost of sales				
Food	$	%	%	
Beverages	$	%	%	
Total cost of sales	$	%	%	
Gross profit	$	%	%	
Other income	$	%	%	
Total income	$	%	%	
Controllable expenses				
Payroll	$	%	%	
Employee benefits	$	%	%	
Direct operating expenses	$	%	%	
Music and entertainment	$	%	%	
Advertising and promotion	$	%	%	
Utilities	$	%	%	
Administrative & General	$	%	%	
Repairs and maintenance	$	%	%	
Total controllable expenses	$	%	%	
Income before occupation costs	$	%	%	
Rent	$	%	%	
Property Taxes	$	%	%	
Other Taxes	$	%	%	
Property Insurance	$	%	%	
Income before interest and depreciation	$	%	%	
Interest	$	%	%	
Depreciation	$	%	%	
Restaurant Profit	$	%	%	

Supplemental Operating Information	Your Figures	Restaurant Report	Variance + or -
Sales per seat			
Food	$	$	
Beverage	$	$	
Total	$	$	
Average receipt per cover (total sales covers)	$	$	
Daily seat turnover (covers seats 365 days)	times	times	
Index of productivity [sales (payroll · benefits)]	times	times	

Note to participants:

Please answer all questions as completely as possible. If you do not know the exact answer, we will gladly accept your best estimate. Please be sure to complete the general information in Section I.

We would like to thank you in advance for your cooperation in the completion of this questionnaire. If you would like to receive a free copy of the completed study, please give your name and address in the space provided below. (Copies of the study for non-respondents will be available for a fee.)

All numbers should be expressed as whole dollars-no fractions or decimals should be entered. If you do not use whole dollars in your accounting statements, then round off the numbers by dropping all pennies when the amount ends in 49 cents or less or adding 1 to the dollars when the amount ends in 50 cents or more.

This year we are requesting two years' information on the income statement. We want to make comparisons of 1985 and 1984 financial data. We request the 1984 data even if you participated last year. If you have been opened less than two years, or if the previous 12 months' of information is not available, only fill out the income statement for last year. All income statements will be used for the main body of the 1986 study, while those providing two years' information will also be presented in a special year-over-year analysis.

This questionnaire has been specifically designed to collect information relating to an individual restaurant's operation. It is vitally important, therefore, that **income statement information pertain to a single restaurant and not to a chain of restaurants. Restaurants that are part of multi-unit operations (two or more) should report information for individual establishments, including allocated costs and revenues.**

Should you have any questions regarding the completion of this questionnaire, please feel free to contact Beth Rifkin or Jamie Mandell of Laventhol & Horwath at (215) 299-1600.

IMPORTANT

WHO SHOULD COMPLETE THIS QUESTIONNAIRE

If you:	You should:
(1) Own/Operate/Manage a single restaurant.	Complete the questionnaire.
(2) Own/Operate/Manage two or more restaurants.	Complete a questionnaire for each unit in operation or for as many units as possible. (Photocopies are acceptable.)
(3) Do not have access to the financial information for your company.	Forward the questionnaire to the appropriate accounting/ financial department for completion.

To receive a complimentary copy of the final study, you must complete the entire questionnaire and supply your name and address in the space provided below. (Please print.)

_____

_____

_____

SECTION I. GENERAL The following information will allow for analysis of your operating statements by several categories of variables. Please complete by checking or filling in the appropriate areas.

1. STATE IN WHICH RESTAURANT IS LOCATED

_____

2. RESTAURANT LOCATION (check only one)

- ☐ Urban
- ☐ Suburban
- ☐ Rural

3. TYPE OF OWNERSHIP (check only one)

- ☐ Sole Proprietorship
- ☐ Partnership
- ☐ Public Corporation
- ☐ Private Corporation

4. TYPE OF ORGANIZATION (check only one)

- ☐ Independent (operates one unit)
- ☐ Multi-Unit (two or more units operated)

5. ARE YOU A FRANCHISE OPERATION?

☐ Yes ☐ No

6. PRIMARY TYPE OF BUSINESS (Check only one)

- ☐ Cafeteria - Full menu
- ☐ Coffee Shop
- ☐ Limited Menu - No Tableservice (Fast Food)
- ☐ Full Menu - Tableservice
- ☐ Limited Menu - Tableservice
- ☐ Caterer
- ☐ Other (Please Specify)_____

7. LIQUOR SERVICE (check only one)

- ☐ Beer
- ☐ Wine
- ☐ Beer and Wine
- ☐ Full Liquor Service
- ☐ No Alcoholic Beverages

8. MENU THEME ITEM (Chicken, steak, seafood, Italian, Continental, etc.)

_____

9. SITE ON WHICH THIS RESTAURANT IS LOCATED (check one)

Land	Owned ☐	Leased ☐
Building	Owned ☐	Leased ☐
Equipment	Owned ☐	Leased ☐

10. NUMBER OF YEARS THIS RESTAURANT HAS BEEN IN BUSINESS: (check only one)

- ☐ Under 2 years
- ☐ 2 to 4.9 years
- ☐ 5 to 10 years
- ☐ Over 10 years

11. IS THIS RESTAURANT LOCATED IN/ATTACHED TO:

- ☐ A Hotel
- ☐ A Shopping Center or Mall
- ☐ An Office Building
- ☐ A Transportation Center
- ☐ Other (please specify)
- ☐ Nothing - The Sole Occupant of a Building

12. NUMBER OF SEATS: (complete all applicable)

- _____ Dining Room
- _____ Bar or Lounge
- _____ Banquet Rooms
- _____ Total Seats

13. SIZE OF RESTAURANT. (provide best estimate)

- _____ Square feet of total area (including preparation and storage)
- _____ Square feet of dining area only
- _____ Square feet of kitchen area

14. CHECK IF THIS RESTAURANT IS OPEN FOR

☐ Breakfast ☐ Lunch ☐ Dinner

15. NUMBER OF CUSTOMERS SERVED FOR THE YEAR? (complete appropriate measure)

- _____ Number of covers (customers served)
- _____ Number of register counts

16. INCLUDING THE MANAGER, WHAT IS THE AVERAGE NUMBER OF PAID FOOD SERVICE EMPLOYEES THAT WORK DURING A TYPICAL WEEK?

- _____ Full Time
- _____ Part Time - 20 to 35 hours
- _____ Part Time - Less than 20 hours

17. HOW MANY W-2s DID YOUR RESTAURANT SEND OUT LAST YEAR? _____

18. PLEASE ESTIMATE YOUR TOTAL TRAINING COSTS FOR 1985.

$ _____ ; or _____ % of total revenue.

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PLEASE SUBMIT DATA FOR TWELVE MONTH PERIODS ONLY

SECTION II. STATEMENT OF INCOME AND EXPENSES

If you wish, you may submit a copy of your year-end operating statement in your existing format and this section will be completed for you.

PLEASE USE WHOLE DOLLAR AMOUNTS ONLY

	12 months ended: Month _____ Year _____		Previous 12 months ended: Month _____ Year _____	
Sales				
Food Sales	_____ (100)		_____ (1100)	
Beverage Sales (Alcoholic)	_____ (110)		_____ (1110)	
Total Sales		_____ (120)		_____ (1120)
Cost of Sales				
Food Cost	_____ (130)		_____ (1130)	
Beverage Cost (Alcoholic)	_____ (140)		_____ (1140)	
Total Cost of Sales		_____ (150)		_____ (1150)
Gross profit on sales (Item 120 – Item 150)		_____ (160)		_____ (1160)
Other income		_____ (190)		_____ (1190)
Total income		_____ (200)		_____ (1200)
Controllable expenses				
Payroll	_____ (210)		_____ (1210)	
Employee benefits	_____ (220)		_____ (1220)	
Direct operating expenses	_____ (240)		_____ (1240)	
Music and entertainment	_____ (250)		_____ (1250)	
Advertising and promotion	_____ (270)		_____ (1270)	
Utilities	_____ (280)		_____ (1280)	
Administrative and general	_____ (300)		_____ (1300)	
Repairs and maintenance	_____ (310)		_____ (1310)	
Total controllable expenses		_____ (320)		_____ (1320)
Occupation costs				
Rent	_____ (340)		_____ (1340)	
Property taxes	_____ (350)		_____ (1350)	
Other taxes	_____ (360)		_____ (1360)	
Property insurance	_____ (370)		_____ (1370)	
Total occupation costs		_____ (380)		_____ (1380)
Interest		_____ (400)		_____ (1400)
Depreciation		_____ (410)		_____ (1410)
Restaurant Profit		_____ (420)		_____ (1420)
Other deductions		_____ (430)		_____ (1430)
Income before income taxes		_____ (440)		_____ (1440)

THANK YOU. PLEASE SEND THIS QUESTIONNAIRE TO:
LAVENTHOL & HORWATH, RESEARCH AND DEVELOPMENT
1845 WALNUT STREET, PHILADELPHIA, PA 19103